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**Application Proof of**  
**NEUSOFT XIKANG HOLDINGS INC.**  
**東軟熙康控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

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## NEUSOFT XIKANG HOLDINGS INC.

### 東軟熙康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares (subject to the  
under the [REDACTED] [REDACTED])  
Number of [REDACTED] : [REDACTED] Shares (subject to  
reallocation)  
Number of [REDACTED] : [REDACTED] Shares (subject to  
reallocation and the [REDACTED])  
Maximum [REDACTED] : HK\$[REDACTED] per Share plus  
brokerage of 1.0%, SFC transaction  
levy of 0.0027%, AFRC transaction  
levy of 0.00015% and the Stock  
Exchange trading fee of 0.00565%  
(payable in full on application, subject  
to refund)  
Nominal value : US\$0.0002 per Share  
Stock code : [REDACTED]

*Sole Sponsor*



[REDACTED] and [REDACTED]

[REDACTED]

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[REDACTED]

**IMPORTANT**

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[REDACTED]

## IMPORTANT

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[REDACTED]

## EXPECTED TIMETABLE<sup>(1)</sup>

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[REDACTED]

## **EXPECTED TIMETABLE<sup>(1)</sup>**

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**[REDACTED]**

## **EXPECTED TIMETABLE<sup>(1)</sup>**

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**[REDACTED]**

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the [REDACTED].*

*There are risks associated with any investment. Some of the risks in investing in the [REDACTED] are set out in “Risk Factors” of this document. You should read that section carefully before you decide to invest in the [REDACTED].*

## OVERVIEW

### Our Company

We developed China’s first city-specific cloud hospital platform, according to Frost & Sullivan, and nurtured a cloud hospital network that connects local governments, medical institutions, patients and insurers to enable equitable access to medical resources and more effective and efficient delivery of healthcare. Through the cloud hospital network, we facilitate the delivery of Internet medical services, including online hospital services, remote medical services, smart family doctor services and Internet home care services. We also provide health management services and offer smart healthcare products. According to Frost & Sullivan, as of December 31, 2021 and September 30, 2022, we are the largest cloud hospital network in China in terms of the number of cities covered.

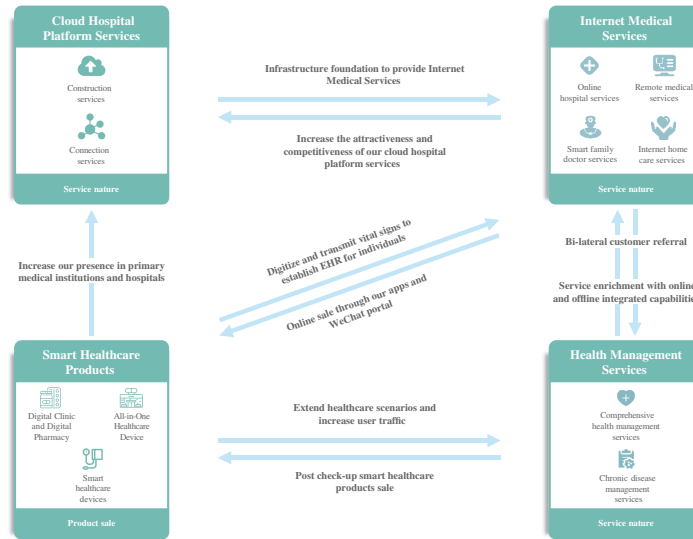
Digital healthcare is the integration of information technology with medical resources and practices to create new healthcare service platforms and infrastructure, and to enable stakeholders to deliver more precise and customized care with improved quality and equitable access. Through digital healthcare, we help relevant stakeholders realize healthcare transformation to achieve digital connection between online and offline settings, inside and outside of medical institutions and among medical institutions, and solve diverse and systemic problems facing the healthcare system. We believe that the core value of cloud-based healthcare should reside with empowering all participants in the healthcare system, to align with all relevant stakeholders’ interests without disrupting the system as a whole.

As of December 31, 2020 and 2022, our network grew from 24 to 29 city-specific cloud hospital platforms in China. As of the same dates, 1,796 and 2,400 hospitals were connected to our cloud hospital network, respectively. We believe our cloud hospital platforms can generate strong network effects as more hospitals and other participants join our platforms over time to expand the depth and breadth of medical resources available and the reach to an ever-larger group of healthcare consumers, resulting in a virtuous cycle in sustaining our growth.

## SUMMARY

### Our Solutions

We have created a portfolio of solutions designed to empower the participants in the healthcare system to improve overall efficiency and effectiveness. The following diagram illustrates the relationships among our four business segments and the synergistic effects generated among them:



Our solutions are designed to generate synergistic effects among themselves. Our cloud hospital platform services, serving as the entry point of our solutions, connect the healthcare participants to our cloud infrastructure, thereby allowing them access to our SaaS tools and medical service modules. Our Internet medical services empower medical institutions to offer convenient and one-stop online and offline integrated medical services inside and outside of medical institutions to patients throughout the full healthcare cycle. We also provide offline health management services through our own medical institutions to individuals and institutional clients, so as to enable them or their employees to manage health alongside our Internet medical services. Furthermore, smart healthcare products have enriched the healthcare scenarios so that our solutions can benefit the end patients and healthcare consumers, and created room for us to further enrich our service offerings. We expect our solutions to further attract healthcare participants to our platforms and increase quality medical resources available through our platforms, thereby resulting in a virtuous cycle for our sustainable growth.

Our cloud hospital platforms are an important feature of our solutions, particularly the cloud hospital platform services and Internet medical services. Such city-specific cloud hospital platforms are typically established through the offering of our cloud hospital platform services, and are utilized to facilitate the offering of the Internet medical services, while the maintenance and upgrade of such platforms further drive the growth of our cloud hospital platform services. These platforms can aggregate and organize the health data generated through our healthcare products, along with the EMRs and other health data from our customers of the cloud hospital platform services as well as EHRs from our provision of health management services, to produce more accurate personal health profiles that allow the delivery of more precise and personalized care.

## SUMMARY

The following table sets forth certain details of our solutions:

| Business segment                        | Business model and target customers   | Offering                         |  | Revenue model  |
|---|---|----------------------------------|--|--|
| <b>Cloud Hospital Platform Services</b> | Provide technology solutions to local governments and medical institutions  | – Platform construction services | Constructing or upgrading the cloud hospital platforms or independent cloud hospital systems   | Revenue recognized from service fees which are priced considering the function requirement and complexity of each construction or upgrade project, and consisting of both one-off and recurring projects   |
|   | Provide technology solutions to medical institutions and insurers   | – Platform connection services   | Connecting medical institutions to our cloud hospital platforms, allowing them access to a variety of digital healthcare functions   | Annual connection fee, while mostly free for primary medical institutions, and consisting of mostly recurring projects   |
| <b>Internet Medical Services</b>        | Directly provide or facilitate medical institutions to provide patients with online and offline integrated medical services | – Online hospital services       | Smart hospital services, online medical consultation and prescription processing services and value-added follow-up management services, which are not available under the traditional offline hospital setting                  | Service fees income from patients and institutions on a gross basis for services rendered by the medical professionals at or registered with our own medical institutions; or platform management fees from third-party medical institutions as a percentage of service fees received by the third-party medical institutions from patients on a net basis |
|   |   | – Remote medical services        | Services that help primary medical institutions expand their service capabilities to provide remote diagnosis, remote consultation and bidirectional referral services with the assistance of (specialists from) large hospitals |  |
|   |   | – Smart family doctor services   | Allowing patients and other healthcare consumers to sign up for family doctors to help with their general medical needs  |  |
|   |   | – Internet home care services    | Primarily online matching of patients and nurses to conduct professional care services at the patients’ premises   |  |

## SUMMARY

| Business segment           | Business model and target customers   | Offering  |   | Revenue model  |
|----------------------------|---|---|---|--|
|                            |   |   |   |  |
| Health Management Services | Provide health management services to individuals and institutional clients (who purchase the services for the benefit of their employees), including government agencies, corporations, banks and insurers | - Comprehensive health management services  | Offline health check-ups through our own medical institutions and online health management services provided by our online health management professionals                              | Typically service fees charged on the scope of services of the health management packages selected, the number of employees of the institutional clients to be covered, and the duration of such package |
|                            |   | - Chronic disease management services   | Chronic disease condition monitoring, healthcare news feed services and intervention planning services based on the individuals' chronic disease conditions                             |  |
| Smart Healthcare Products  | Sell smart healthcare products to local governments and primary medical institutions  | - Products embedded with IoT technology that meet the needs of primary medical institutions to enhance their operational efficiency | Digital Clinic and Digital Pharmacy products, All-in-One Healthcare Devices, among others, to facilitate remote medical consultations, drug delivery and establish EHRs for individuals | Pricing based on purchase price of devices, plus cost of software and services components, if any  |
|                            | Sell smart healthcare products to corporations and individuals  | - Products that meet the needs of individuals for personal health management  | Smart blood pressure monitors, smart blood glucose meters, and smart wearables, among others  |  |

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

|   | Year ended December 31,                           |               |                |               |                |               |
|---|---|---------------|----------------|---------------|----------------|---------------|
|   | 2020  | 2021          | 2020           | 2021          | 2022           | 2022          |
|   | <i>(RMB in thousands, except for percentages)</i> |               |                |               |                |               |
| Cloud hospital platform services . . . . .              | 78,611  | 15.6%         | 127,967        | 20.8%         | 122,369        | 17.8%         |
| Internet medical services . . . . .                     | 55,057  | 11.0%         | 93,407         | 15.2%         | 137,834        | 20.1%         |
| - Online hospital services . . . . .                    | 49,240  | 9.8%          | 80,144         | 13.0%         | 117,972        | 17.2%         |
| - Remote medical services . . . . .                     | 4,325   | 0.9%          | 10,248         | 1.7%          | 13,871         | 2.0%          |
| - Smart family doctor services <sup>(1)</sup> . . . . . | -   | -             | -              | -             | -              | -             |
| - Internet home care services . . . . .                 | 1,492   | 0.3%          | 3,015          | 0.5%          | 5,991          | 0.9%          |
| Health management services . . . . .                    | 222,465   | 44.2%         | 240,918        | 39.2%         | 209,199        | 30.4%         |
| Smart healthcare products . . . . .                     | 146,875   | 29.2%         | 152,010        | 24.8%         | 218,013        | 31.7%         |
| <b>Total</b> . . . . .                                  | <b>503,008</b>                                    | <b>100.0%</b> | <b>614,302</b> | <b>100.0%</b> | <b>687,415</b> | <b>100.0%</b> |

(1) We do not charge fees for smart family doctor services.

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## SUMMARY

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We generally leverage the following means to acquire customers for each of our business lines:

*Cloud Hospital Platform Services.* For cloud hospital platform services, we typically utilize our internal customer resources and designate personnel to source the latest tender and bidding opportunities for obtaining new projects from local governments and hospitals. We acquire most of our customers through tender and bidding process, with historical bidding success rate over 80%. For more details on the tender and bidding process, see "Business – Our Customers – Project Tender and Bidding." In particular, for establishing city-specific cloud hospital platforms, we designate personnel for evaluating the market potential of city candidates in terms of various factors such as the population size, maturity of local medical and information infrastructure, extensiveness of medical networks, regulatory dynamics and public awareness and acceptance of our solutions on a periodic basis, and for continually monitoring tender and bidding opportunities available in different regions. We also regularly communicate with medical institution customers to understand their latest needs for digital healthcare infrastructure related services.

*Internet Medical Services.* For Internet medical services, we typically acquire customers through traffic brought by connected medical institutions, and synergy from health management services and smart healthcare products.

*Health Management Services.* For health management services, we typically acquire customers through marketing to institutional customers, traffic brought by offline medical institutions, and synergy from Internet medical services.

*Smart Healthcare Products.* For smart healthcare products, we typically acquire customers through marketing and business development activities to institutional customers. We regularly communicate with potential customers to gauge their demand for smart healthcare products, and designate personnel for continually monitoring tender and bidding opportunities available in the market.

Meanwhile, we continue to focus on improving customers' satisfaction through optimizing our solutions for purposes of retaining our existing customers.

The following table sets forth some details on our solutions' competitive landscape:

| <b>Business segment</b>                    | <b>Sub-industry</b>                        | <b>Type of competitors</b>   |
|--|--|--|
| Cloud hospital platform services . . . . . | Digital healthcare infrastructure industry | Healthcare IT solution providers, such as traditional IT solution companies with business footprint in the healthcare industry, as well as specialized health-tech companies |

## SUMMARY

| Business segment                     | Sub-industry   | Type of competitors   |
|--------------------------------------|--|---|
| Internet medical services . . . . .  | Digital medical services industry                          | Digital medical services companies, such as online medical appointment making and consultation platform companies and online prescription processing platform companies |
| Health management services . . . . . | Digital health management industry                         | Health management service companies, such as franchise of private health check-up companies and the health check-up departments of public hospitals                     |
| Smart healthcare products . . . . .  | Digital consumer healthcare products and services industry | Digital health product companies, such as medical equipment companies and traditional IoT product companies with healthcare offering                                    |

For more details, see “Industry Overview – The PRC Digital Healthcare Services Industry – Competitive Landscape.”

Our competitive edges for each of our business lines over our peers are as follows:

*Cloud Hospital Platform Services.* Our competitive edges for cloud hospital platform services mainly include: (i) a comprehensive suite of six function modules which caters to the needs of our platform users; (ii) economies of scale and reduced development and implementation costs of establishing new cloud hospital platforms, benefiting from years of expertise and experience in developing and operating such platforms; and (iii) solid business development capabilities and relationships with local governments and medical institution customers, given our established market position and first-mover advantages within respective cities.

*Internet Medical Services.* Our competitive edges for Internet medical services mainly include: (i) rich medical resources which provide wide geographical coverage and adequate supply of medical professionals; (ii) support from local governments and medical institutions, given the valuable benefits brought to ease the scarcity and uneven distribution of quality medical resources and in accordance with favorable national policies; (iii) quality services safeguarded by our quality control measures, as well as the three provincial-level Internet healthcare service supervision platforms operated by us in Jiangsu, Liaoning and Yunnan provinces; and (iv) user traffic synergy brought by our health management services. Users of our health management services can conveniently access Internet medical services after health check-up services.

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## SUMMARY

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*Health Management Services.* Our competitive edges for health management services mainly include: (i) better user experience than with other traditional offline health check-up service providers realized through our offering of Internet medical services, as users of the health management services can store their EHR via an online portal and seek Internet medical services if any health issue is identified; (ii) quality services and well-established reputation in regional markets; and (iii) strong business development capabilities with institutional customers.

*Smart Healthcare Products.* Our competitive edges for health management services mainly include: (i) better user experience than with other traditional offline health check-up service providers realized through our offering of Internet medical services, as users of the health management services can store their EHR via an online portal and seek Internet medical services if any health issue is identified; (ii) quality services and well-established reputation in regional markets; and (iii) strong business development capabilities with institutional customers.

### **Key Operational Data**

The number of medical institutions connected to our platform increased stably during the Track Record Period from 30,885 as of December 31, 2020 to 35,500 as of December 31, 2022. The majority of the primary medical institutions are connected to our platform for free, mostly providing smart family doctor services through our platform. Meanwhile, medical institutions that pay a fee for our platform connection services are largely hospitals. As of December 31, 2020, 2021 and 2022, the total number of medical institutions that contributed revenue to our cloud hospital platform services segment was 242, 138 and 145, respectively. We believe that the primary medical institutions connected to our platform can drive user traffic for the Internet medical services, thus bringing synergistic effects. For more details about the synergistic effects, see "Business – Our Solutions – Cloud Hospital Platform Services – For medical institutions" in this document.

As of December 31, 2022, we had a chain of ten self-owned medical institutions with an average gross floor area of 3,000 square meters and an average of 50 to 70 employees located in nine cities. As of December 31, 2020, 2021 and 2022, we had a team of approximately 61,200, 102,200 and 113,000 doctors, respectively, registered with our cloud hospital platforms. As of the same dates, there were approximately 10,300, 16,500 and 38,000 nurses, respectively, registered with our cloud hospital platforms.



## SUMMARY

### *Internet Medical Services and Health Management Services*

The following table summarizes the volumes of the services offered over our cloud hospital platforms for the years indicated:

|   | Year ended December 31, |                      |                      |
|---|-------------------------|----------------------|----------------------|
|   | 2020                    | 2021                 | 2022                 |
|   | <i>(in thousands)</i>   |                      |                      |
| Online consultations . . . . .                        | 512.9                   | 1,111.4              | 1,674.0              |
| Prescriptions processed . . . . .                     | 925.8                   | 787.0 <sup>(2)</sup> | 839.0                |
| Remote medical services . . . . .                     | 701.0                   | 860.6                | 1,067.0              |
| Smart family doctor services <sup>(1)</sup> . . . . . | 1,417.6                 | 2,306.6              | 5,218.0              |
| Internet home care services . . . . .                 | 16.4                    | 29.9                 | 54.0                 |
| Health management services . . . . .                  | 475.0                   | 525.9                | 480.0 <sup>(3)</sup> |

- (1) Though we did not charge fees for smart family doctor services and did not generate revenue from such services accordingly during the Track Record Period, we expect the family doctors to act as an entrance point to our solutions for residents.
- (2) The volume of prescriptions processed decreased in 2021 compared to 2020 mainly because most of the prescriptions processed in 2020 arose from pharmacies connected to our platforms which did not arise from online consultations and were uploaded by patients and redeemed upon approval by pharmacists over our platform, and as we deprioritized processing prescriptions arising from pharmacies and switched focus to processing prescriptions arising from online consultations over our cloud hospital platform, for which we charge service fees, the prescriptions processed arising from pharmacies decreased both in absolute amount and as a percentage. In 2020, 2021 and 2022, there were approximately 150,100, 342,700 and 530,000 prescriptions arising directly from online consultations processed over our platforms, respectively.
- (3) The volume of health management services decreased in 2022 compared to 2021 mainly because we suspended the operations of eight medical institutions for different durations in the first three quarters of 2022 due to the COVID-19 outbreaks in Shanghai, Shenyang, Chongqing, Xi’an, Hefei, Dandong, Fuzhou and Chengdu in such period.

The following table sets forth the common price range charged for (i) the online consultation services and (ii) the prescription processing services arising directly from the provision of the online consultation services during the years indicated:

|   | Year ended December 31,   |   |  |
|---|---|---|--|
|   | 2020  | 2021  | 2022   |
|   | <i>(RMB)</i>  |   |  |
| Online consultation services . . . . .  | 5 to 500, depending on the types of consultation provided and the qualifications of doctors | 5 to 500, depending on the types of consultation provided and the qualifications of doctors | 5 to 500, depending on the type of consultation provided and the qualifications of doctors |
| Prescription processing services arising directly from the online consultation services . . . | 20 to 100   | 50 to 300   | 50 to 1,000  |

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## SUMMARY

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### ***Smart Healthcare Products***

Our smart healthcare product offerings mainly include Digital Clinic and Digital Pharmacy products and All-in-One Healthcare Devices. Depending on customer needs, we may bundle complementary services that connect Digital Clinic and Digital Pharmacy products to particular health systems or platforms and price such bundle at prices ranging from RMB50,000 to RMB200,000. We price our All-in-One Healthcare Devices at prices ranging from RMB5,000 to RMB20,000. In 2020, 2021 and 2022, the sales volumes of our Digital Clinic and Digital Pharmacy products were 191, 188 and 178, respectively. In the same years, the sales volume of our All-in-One Healthcare Devices were 1,994, 4,144 and 815, respectively. The decrease in sales volume of our All-in-One Healthcare Devices in 2022 compared to 2021 is mainly due to our securing of more large contracts from institutional clients in 2021, particularly attributable to our cooperation with local health administrations to provide such devices to primary medical institutions. As of December 31, 2022, our All-in-One Healthcare Devices were present at approximately 27,900 primary medical institutions.

### **City-specific Cloud Hospital Platforms**

According to Frost & Sullivan, we are China’s first city-specific cloud hospital platform provider. We devote our resources to establishing the presence of our cloud hospital platforms at city level, through which we incorporate our cloud hospital platform services, Internet medical services and health management services to develop end-to-end solutions for specific cities. As of December 31, 2020, 2021 and 2022, our network consisted of 24, 28 and 29 city-specific cloud hospital platforms in China, respectively. The 29 city-specific cloud hospital platforms as of December 31, 2022 are primarily located in three regions, (i) the Yangtze River Delta (such as Ningbo), (ii) Southern China (such as Chongqing) and (iii) Northern China (such as Shenyang). These platforms covered a population of approximately 137.0 million in aggregate and the total medical expenditure in the relevant regions amounted to approximately RMB165.9 billion in 2021.

The development of each city-specific cloud hospital platform progresses at varied paces, depending on a number of factors, including the population size, maturity of local medical and information infrastructure, extensiveness of medical networks, regulatory dynamics the public awareness and acceptance of our solutions. We tailor development strategies based on such factors, providing different services as different entry points or selecting different types of medical institutions to initiate contact with. For details, see “Business – City-specific Cloud Hospital Platforms.”

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## SUMMARY

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### OUR STRENGTHS

We believe the following competitive strengths contribute to our success and position us for continued growth:

- China's largest cloud hospital network committed to transforming the delivery of care;
- Replicable and scalable cloud hospital platform model;
- Comprehensive solution portfolio to realize continuity through the full cycle of healthcare;
- In-depth understanding of medical specialties to integrate quality medical resources and ensure quality of healthcare delivery; and
- Visionary management team and industry-leading and supportive shareholders.

### OUR STRATEGIES

We intend to pursue the following strategies to realize our mission to empower healthcare transformation through information technology:

- Further expand our cloud hospital network;
- Enrich specialized healthcare service offerings and clinical application settings;
- Continually strengthen our technology and data capabilities;
- Improve quality control of healthcare services; and
- Selectively pursue strategic cooperation and mergers and acquisitions.

### OUR CUSTOMERS AND SUPPLIERS

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

| <u>Business line</u>                       | <u>Major types of customers</u>   |
|--|---|
| Cloud hospital platform services . . . . . | Local governments, medical institutions and insurers                            |
| Internet medical services . . . . .        | Individuals, medical institutions and corporations                              |
| Health management services . . . . .       | Corporations and individuals  |
| Smart healthcare products. . . . .         | Local governments, medical institutions, insurers, corporations and individuals |

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## SUMMARY

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For each year during the Track Record Period, our five largest customers accounted for 16.2%, 14.3% and 20.1% of our total revenue, respectively. For each year during the Track Record Period, our largest customer contributed 5.0%, 3.3% and 11.2% of our total revenue, respectively.

We focus on customers in the public sector in the cloud hospital platform services and smart healthcare products segments. We are also exposed to the risk of any payment delay from them. See “Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables.”

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

| <u>Business line</u>                       | <u>Major types of suppliers</u>  |
|--|--|
| Cloud hospital platform services . . . . . | IDC service providers, providers of terminal software and hardware equipment, system integration service providers and network service providers |
| Internet medical services . . . . .        | Medical professionals and pharmaceutical companies   |
| Health management services . . . . .       | Medical equipment manufacturers, test kit producers and medical specimen delivery companies  |
| Smart healthcare products. . . . .         | Medical equipment manufacturers  |

For each year during the Track Record Period, purchases from our five largest suppliers accounted for 41.2%, 33.5% and 34.0%, respectively, of our total purchases. For each year during the Track Record Period, purchases from our single largest supplier accounted for 15.7%, 14.3% and 15.9%, respectively, of our total purchases.

In 2020, 2021 and 2022, Neusoft Corporation was among our five largest suppliers. See “Business – Our Customers” and “Business – Our Suppliers.”

### **PRE-[REDACTED] INVESTMENT**

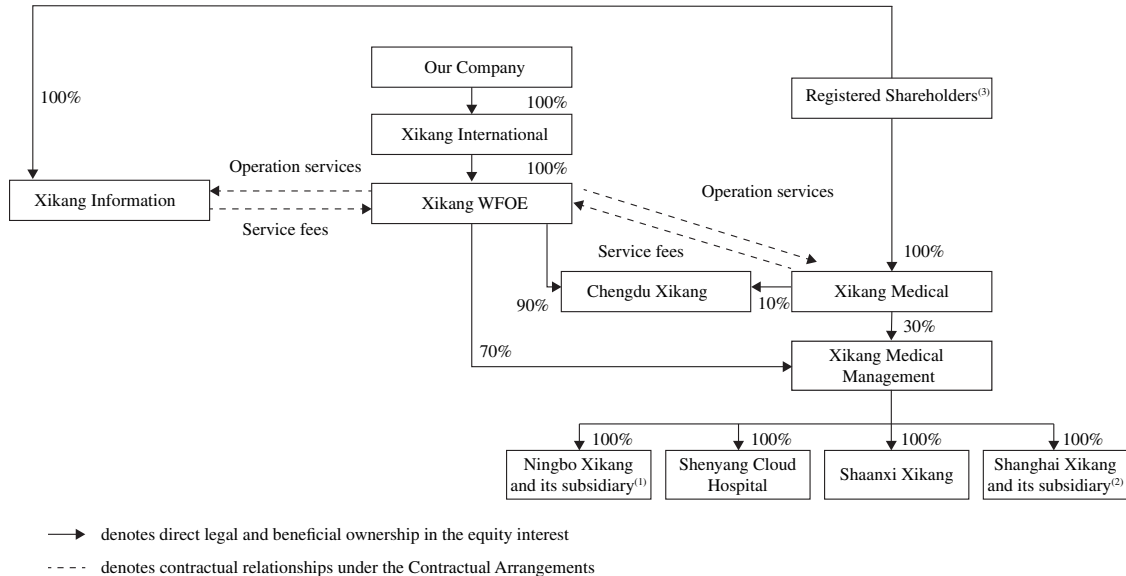
Since the incorporation of our Company, we have completed two rounds of Pre-[REDACTED] Investments. Our Company issued ordinary Shares, Class A Ordinary Shares, Class B Ordinary Shares and Class C Ordinary Shares to the relevant Pre-[REDACTED] Investors, namely Kingset Ventures, Noble Investment, Syn Invest, PICC P&C, Alps Alpine and First Care, between 2015 and 2020. For details of the Pre-[REDACTED] Investments and background of the Pre-[REDACTED] Investors, see “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments.”

### **CONTRACTUAL ARRANGEMENTS**

Our Company operates certain businesses that are subject to foreign investment restrictions under current PRC laws and regulations. In order to comply with such laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements entered into on May 18, 2021. Pursuant to the Contractual Arrangements, we have effective control over and are entitled to receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities. For details, see “Contractual Arrangements” in this document.

## SUMMARY

The following simplified diagram illustrates our Contractual Arrangements:



- (1) The subsidiary of Ningbo Xikang refers to Ningbo Cloud Hospital Co., Ltd. (寧波雲醫院有限公司).
- (2) The subsidiary of Shanghai Xikang refers to Shanghai Xikang Clinic Co., Ltd. (上海熙康門診部有限公司).
- (3) As of the Latest Practicable Date, each of Xikang Medical and Xikang Information is held as to 80% by Ms. Zong Wenhong, our executive Director and chief executive officer and 20% by Ms. Wang Shuli, our vice president and chief financial officer. Notwithstanding that each of the Registered Shareholders may hold limited beneficial interest in the Company’s issued share capital upon the [REDACTED], the Group has adopted the following safeguards to manage the potential risks arising from the Contractual Arrangements:
  - (A) The Contractual Arrangements enable WFOE to exercise effective control over Xikang Medical and Xikang Information. No event of default has ever occurred since our current contractual arrangements were put in place and we have not experienced any practical difficulties in enforcing the contractual arrangements. The contractual arrangements agreements are binding upon both of the Registered Shareholders, which are in compliant with the requirements of the HKEX-LD43-3;
  - (B) According to the Contractual Arrangements, the Registered Shareholders entered into the Exclusive Option Agreements (defined below), pursuant to which the Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws. Further, the Registered Shareholders and Xikang WFOE also entered into the Equity Pledge Agreements (defined below), according to which the Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in the Onshore Holdcos to Xikang WFOE in order to guarantee Onshore Holdcos’ and their respective Registered Shareholders’ performance of obligations under the Contractual Arrangements; and
  - (C) The Group is managed centrally by the Board and the senior management members as disclosed in “Directors and Senior Management” of the Document, who are primarily responsible for the day-to-day and overall management of the business and operations of the Group. As members of the senior management, Ms. Zong Wenhong and Ms. Wang Shuli, being the Registered Shareholders, are dedicated to carrying out decisions made centrally by the Board and senior management of the Group.

For risks relating to the Contractual Arrangements, see “Risk Factors – Risks Relating to Our Contractual Arrangements.”

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## SUMMARY

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### CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions and partially exempt continuing connected transactions under Chapter 14A of the Listing Rules after the [REDACTED]. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in “Connected Transactions” of this document.

### OUR SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, Neusoft Corporation indirectly held approximately 27.94% interest of our issued share capital through Neusoft (HK), Neusoft Holdings indirectly held approximately 23.42% interest of our issued share capital through Smartwave, Dongkong International Fifth and Dongkong International Seventh, and PICC P&C directly held approximately 14.30% interest of our issued share capital.

Immediately following completion of the [REDACTED] presuming the Assumptions, Neusoft Corporation, Neusoft Holdings and PICC P&C will, directly or indirectly, own approximately [REDACTED]%, [REDACTED]% and [REDACTED]%, respectively, of the share capital of our Company. As such, each of Neusoft Corporation, Neusoft Holdings and PICC P&C will constitute a substantial shareholder of the Company under the Listing Rules. For details, see “History, Reorganization and Corporate Structure – Corporate Structure” and “Substantial Shareholders.”

Neusoft Corporation does not have any controlling shareholder or actual controller. As of the Latest Practicable Date, Neusoft Holdings was Neusoft Corporation’s single largest shareholder, holding approximately 14.24% of its total shares. See “Substantial Shareholders” for details of the shareholding structure of Neusoft Holdings. PICC P&C is a company listed on the Main Board of the Stock Exchange (stock code: 02328) with The People’s Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) being its controlling shareholder.

### SHARE OPTION SCHEMES

In order to achieve strategic goals and fuel our development by providing our Directors, senior management and employees with the opportunity to acquire proprietary interests in our Company, we have adopted the Pre-[REDACTED] SOS as approved by our Board on March 29, 2019. Meanwhile, in order to provide incentives and rewards to participants for their contributions to, and continuing efforts to promote the interest of, the Company, we have adopted the Post-[REDACTED] SOS as approved by our Board on May 27, 2021. The total number of Shares underlying the Pre-[REDACTED] SOS shall be no more than 16,320,000 Shares (or [81,600,000] Shares immediately following the Share Subdivision), representing approximately [REDACTED]% of the total issued share capital of the Company immediately after completion of the [REDACTED] presuming the Assumptions, and the total number of Shares underlying the Post-[REDACTED] SOS Shares shall be no more than approximately 10% of the Shares in issue on the date of the Shares commencing [REDACTED] on the Stock Exchange. For details, see “Appendix IV – Statutory and General Information – D. Share Option Schemes.”

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary consolidated financial information for the years or as of the dates indicated. This summary has been derived from our consolidated financial information set forth in the Accountant’s Report in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial information included in the Accountant’s Report in Appendix I to this document, including the accompanying notes, and the information set forth in “Financial Information.” Our consolidated financial information was prepared in accordance with HKFRS.

#### Key Items of Consolidated Statements of Profit or Loss

|  | Year ended December 31,   |                  |                  |
|--|---------------------------|------------------|------------------|
|  | 2020                      | 2021             | 2022             |
|  | <i>(RMB in thousands)</i> |                  |                  |
| <b>Revenue from contracts with customers . . . . .</b> | <b>503,008</b>            | <b>614,302</b>   | <b>687,415</b>   |
| Cost of sales and services . . . . .                   | (368,900)                 | (444,073)        | (518,965)        |
| <b>Gross profit . . . . .</b>                          | <b>134,108</b>            | <b>170,229</b>   | <b>168,450</b>   |
| Selling and marketing expenses. . . . .                | (96,728)                  | (135,777)        | (126,066)        |
| Research and development expenses. . . . .             | (66,761)                  | (86,421)         | (78,959)         |
| Administrative expenses . . . . .                      | (113,474)                 | (213,275)        | (139,396)        |
| <b>Operating loss. . . . .</b>                         | <b>(155,957)</b>          | <b>(253,596)</b> | <b>(195,477)</b> |
| <b>Loss before income tax . . . . .</b>                | <b>(203,021)</b>          | <b>(292,847)</b> | <b>(238,308)</b> |
| <b>Loss for the year . . . . .</b>                     | <b>(198,544)</b>          | <b>(294,407)</b> | <b>(243,364)</b> |
| <b>Loss attributable to:</b>                           |                           |                  |                  |
| Owners of the Company. . . . .                         | (196,203)                 | (296,301)        | (241,962)        |
| Non-controlling interests . . . . .                    | (2,341)                   | 1,894            | (1,402)          |

#### *Non-HKFRS Measures*

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRS, we use adjusted net loss for the year (non-HKFRS measure) and adjusted net loss margin (non-HKFRS measure) as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. We believe that the presentation of such non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain items, such as share-based compensation expenses and interest expenses for financial liability for redeemable rights. The use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS measures may be defined differently from similar terms used by other companies.

## SUMMARY

The following table reconciles our adjusted net loss for the year (non-HKFRS measure) to the most directly comparable financial measure in accordance with HKFRS for the years indicated:

|   | Year ended December 31,   |                  |                  |
|---|---------------------------|------------------|------------------|
|   | 2020                      | 2021             | 2022             |
|   | <i>(RMB in thousands)</i> |                  |                  |
| <b>Loss for the year</b> . . . . .  | <b>(198,544)</b>          | <b>(294,407)</b> | <b>(243,364)</b> |
| Add: Share-based compensation expenses . . . . .                                  | 34,044                    | 153,560          | 79,176           |
| Add: Interest expenses for financial liability for<br>redeemable rights . . . . . | 15,834                    | 15,562           | 17,162           |
| <b>Adjusted net loss for the year (non-HKFRS measure)</b>                         | <b>(148,666)</b>          | <b>(125,285)</b> | <b>(147,026)</b> |

The non-HKFRS measure, adjusted net loss for the year, used by us has been adjusted for (i) share-based compensation expenses and (ii) interest expenses for financial liability for redeemable rights. In particular, the share-based compensation expenses are a non-cash expense arising from granting share-based awards to selected employees. Meanwhile, the redeemable rights arose from an investment agreement entered into by the Company and a certain investor in round C investments, pursuant to which the Company has an obligation to repurchase its ordinary shares issued to this investor in round C investments. The redeemable rights are recognized as a financial liability and will be automatically cancelled upon the [REDACTED]. We are not expected to have any additional interest expenses for financial liability for redeemable rights.

The following table sets forth our adjusted net loss margin (non-HKFRS measure) for the years indicated:

|   | Year ended December 31, |        |        |
|---|-------------------------|--------|--------|
|   | 2020                    | 2021   | 2022   |
|   | <i>%</i>                |        |        |
| Adjusted net loss margin (non-HKFRS measure) <sup>(1)</sup> . . . . . | (29.6)                  | (20.4) | (21.4) |

(1) Adjusted net margin equals adjusted net loss for the year (non-HKFRS measure) divided by revenue for the year and multiplied by 100%. The use of the non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the HKFRS.

Our adjusted net loss (non-HKFRS measure) decreased from RMB148.7 million in 2020 to RMB125.3 million in 2021, and increased to RMB147.0 million in 2022. The increase in our adjusted net loss (non-HKFRS measure) in 2022 was mainly due to a slight decrease in our gross profit and an increase in our net foreign exchange losses, despite decreases in our total operating expenses excluding share-based compensation expenses in 2022 compared to 2021.



## SUMMARY

Our adjusted net loss margin (non-HKFRS measure) decreased from 29.6% in 2020 to 20.4% in 2021, primarily due to a decrease in the adjusted net loss (non-HKFRS measure) and an increase in the revenue. Our adjusted net loss margin (non-HKFRS measure) increased slightly from 20.4% in 2021 to 21.4% in 2022, mainly due to an increase in the adjusted net loss (non-HKFRS measure), as a result of the reasons stated above.

We were able to achieve revenue growth during the Track Record Period, mainly as the scale of all our four business segments continued to grow, particularly as we experienced increased cooperation with local governments and medical institutions for our cloud hospital platform services and increased service volumes of both our Internet healthcare services and health management services. Meanwhile, we had net loss of RMB198.5 million, RMB294.4 million and RMB243.4 million in 2020, 2021 and 2022, respectively, primarily because our growing business scale and revenue generated were unable to fully compensate for our various costs and expenses, as we were still at an early stage of monetization and continued to incur significant selling and marketing expenses, research and development expenses and administrative expenses, particularly employee benefits expenses, share-based compensation expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets and short-term lease expenses, which are relatively fixed costs. In particular, our net loss increased from RMB198.5 million as of December 31, 2020 to RMB294.4 million as of December 31, 2021, mainly attributable to an increase in share-based compensation expenses due to our issuance of Pre-[REDACTED] SOS Options to our employees in January 2021. Our net loss decreased to RMB243.4 million in 2022, primarily attributable to a decrease in share-based compensation expenses, as well as an increase in net impairment losses on financial assets, and net foreign exchange losses. For details, see “Financial Information – Consolidated Statements of Comprehensive Income” and “Risk Factors – Risks Relating to Our Business and Industry – We recorded net operating cash outflows throughout the Track Record Period and expect to incur operating losses in the future, and may not be able to achieve or maintain profitability, and we recorded negative equity or net liabilities during the Track Record Period.”

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

|                                     | Year ended December 31,                           |                        |                 |                        |                 |                        |
|-------------------------------------|---|------------------------|-----------------|------------------------|-----------------|------------------------|
|                                     | 2020  |                        | 2021            |                        | 2022            |                        |
|                                     | Gross<br>profit                                   | Gross<br>margin<br>(%) | Gross<br>profit | Gross<br>margin<br>(%) | Gross<br>profit | Gross<br>margin<br>(%) |
|                                     | <i>(RMB in thousands, except for percentages)</i> |                        |                 |                        |                 |                        |
| Cloud hospital platform services    | 29,966  | 38.1                   | 59,431          | 46.4                   | 56,539          | 46.2                   |
| Internet medical services . . . . . | 4,075   | 7.4                    | 7,369           | 7.9                    | 16,813          | 12.2                   |
| Health management services . . .    | 72,170  | 32.4                   | 88,400          | 36.7                   | 77,593          | 37.1                   |
| Smart healthcare products . . . . . | 27,897  | 19.0                   | 15,029          | 9.9                    | 17,505          | 8.0                    |
| <b>Total . . . . .</b>              | <b>134,108</b>                                    | <b>26.7</b>            | <b>170,229</b>  | <b>27.7</b>            | <b>168,450</b>  | <b>24.5</b>            |

## SUMMARY

Our cloud hospital platform services segment had relatively high gross margins during the Track Record Period compared to those of the other segments, mainly because the costs of this segment, comprising the costs for development and connection of cloud hospital platforms, are shared among different platforms given the replicability and scalability of our cloud hospital platform model. Our Internet medical services segment had relatively lower gross margins during the Track Record Period, mainly because we adopted competitive pricing strategies to compete in the market. Our health management services segment had generally relatively higher gross margins during the Track Record Period, mainly because we incurred certain costs such as employee benefits expenses of medical professionals, depreciation of medical equipment and lease expenses, which are largely considered as fixed costs. Such fixed costs remained relatively stable regardless of the changes in the scale of our health management services business. Our smart healthcare products segment had relatively low gross margins during the Track Record Period, mainly due to our competitive pricing strategies to increase our market presence among primary medical institutions, which, we believe, will allow us to generate additional synergy from the cloud hospital platform services, Internet medical services and health management services in the long term.

### Key Items of Consolidated Statements of Financial Position

|  | As of December 31,        |                  |                  |
|--|---------------------------|------------------|------------------|
|  | 2020                      | 2021             | 2022             |
|  | <i>(RMB in thousands)</i> |                  |                  |
| <b>Total non-current assets</b> . . . . .      | 342,581                   | 320,267          | 297,944          |
| <b>Total non-current liabilities</b> . . . . . | 658,953                   | 754,086          | 920,293          |
| <b>Total current assets</b> . . . . .          | 611,521                   | 626,338          | 636,404          |
| <b>Total current liabilities</b> . . . . .     | 425,617                   | 459,881          | 460,053          |
| <b>Net current assets</b> . . . . .            | <b>185,904</b>            | <b>166,457</b>   | <b>176,351</b>   |
| <b>Total shareholders’ deficit</b> . . . . .   | <b>(130,468)</b>          | <b>(267,362)</b> | <b>(445,998)</b> |
| – Non-controlling interests. . . . .           | 2,594                     | 7,018            | 5,808            |

Our net current assets decreased to RMB166.5 million as of December 31, 2021 from RMB185.9 million as of December 31, 2020, primarily due to increased trade payables in line with our business growth which outpaced the increase of trade receivables. Our net current assets further increased to RMB176.4 million as of December 31, 2022, primarily due to increased other current assets, mainly relating to the reclassification of long-term trade receivables due within one year from non-current assets to current assets as of December 31, 2022, partially offset by an increase in trade payables in line with our business growth.

We had net liabilities of RMB130.5 million, RMB267.4 million and RMB446.0 million as of December 31, 2020, 2021 and 2022, respectively. We recorded net liabilities during the Track Record Period, partly due to our financial liability for redeemable rights. As the redeemable rights will be automatically cancelled upon the [REDACTED], financial liability for redeemable rights will be re-classified to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED] and our net liabilities position will be largely alleviated as a result. Furthermore, as of December 31, 2022, we had RMB96.9 million of payment to eligible employees under other payables and accruals in relation to our restricted

## SUMMARY

share scheme, which is classified as liabilities and will be re-classified to equity upon the [REDACTED]. In addition, we expect to turn from a net liabilities to net assets position additionally through increases in shareholder contributions upon receiving [REDACTED] from the [REDACTED] and improved results of operations. In particular, we intend to continually increase our revenue and gross profit through measures as discussed in “Business – Business Sustainability,” while improving the efficiency of selling and marketing, research and development, and administrative activities and our spending on such activities, in order to improve our results of operations.

Meanwhile, our net liabilities increased generally during the Track Record Period, primarily in relation to the accumulated loss attributable to owners of the Company, resulting from continued comprehensive loss during the Track Record Period, as the Company was still loss-making. In particular, our net liabilities increased by RMB136.9 million as of December 31, 2021 compared to December 31, 2020, mainly due to (i) loss for the year of RMB294.4 million, and (ii) contributions from shareholders of RMB157.5 million in 2020, which did not occur in 2021. The increase was partially offset by share-based payments of RMB153.6 million. Our net liabilities further increased by RMB178.6 million as of December 31, 2022 compared to December 31, 2021, mainly due to loss for the year of RMB243.4 million, partially offset by share-based payments of RMB79.2 million. For details, see “Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position” and “Risk Factors – Risks Relating to Our Business and Industry – We recorded net operating cash outflows throughout the Track Record Period and expect to incur operating losses in the future, and may not be able to achieve or maintain profitability, and we recorded negative equity or net liabilities during the Track Record Period.”

### Selected Consolidated Statements of Cash Flows

|   | Year ended December 31,   |                 |                 |
|---|---------------------------|-----------------|-----------------|
|   | 2020                      | 2021            | 2022            |
|   | <i>(RMB in thousands)</i> |                 |                 |
| Net cash used in operating activities. . . . .                          | (17,298)                  | (83,384)        | (73,828)        |
| Net cash used in investing activities. . . . .                          | (195,160)                 | (5,467)         | (8,445)         |
| Net cash generated from financing activities. . . . .                   | 216,288                   | 64,897          | 64,624          |
| <b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>   | <b>3,830</b>              | <b>(23,954)</b> | <b>(17,649)</b> |
| Cash and cash equivalents at the beginning of the year . . . . .        | 414,297                   | 391,681         | 364,737         |
| Effects of exchange rate changes on cash and cash equivalents . . . . . | (26,446)                  | (2,990)         | 3,660           |
| <b>Cash and cash equivalents at the end of the year . . . . .</b>       | <b>391,681</b>            | <b>364,737</b>  | <b>350,748</b>  |

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## SUMMARY

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We recorded net operating cash outflows of RMB17.3 million, RMB83.4 million and RMB73.8 million in 2020, 2021 and 2022, respectively, primarily attributable to our loss before income tax, partially offset by adjustments for non-cash and non-operating items, movements in working capital and other cash items.

In particular, our net operating cash outflows increased significantly from RMB17.3 million in 2020 to RMB83.4 million in 2021, mainly due to: (i) an increase of RMB89.8 million in loss before income tax; (ii) a decrease of RMB25.5 million in changes in working capital; (iii) a decrease of RMB22.2 million in adjustments for net gains or losses on disposal of subsidiaries and associates; and (iv) a decrease of RMB21.3 million in adjustments for exchange losses or gains; partially offset by (v) an increase of RMB119.5 million in adjustments for share-based compensation. Our net operating cash outflows decreased by 11.5% from RMB83.4 million in 2021 to RMB73.8 million in 2022, mainly due to: (i) a decrease of RMB54.5 million in loss before income tax; and (ii) an increase of RMB8.0 million in changes in working capital; partially offset by (iii) a decrease of RMB74.4 million in adjustments for share-based compensation. For details, see “Financial Information – Liquidity and Capital Resources – Cash Flows” and “Risk Factors – Risks Relating to Our Business and Industry – We recorded net operating cash outflows throughout the Track Record Period and expect to incur operating losses in the future, and may not be able to achieve or maintain profitability, and we recorded negative equity or net liabilities during the Track Record Period.”

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated:

|   | Year ended December 31, |      |      |
|---|-------------------------|------|------|
|   | 2020                    | 2021 | 2022 |
|   |                         | (%)  |      |
| Revenue growth <sup>(1)</sup> . . . . . | 25.9                    | 22.1 | 11.9 |
| Gross margin <sup>(2)</sup> . . . . .   | 26.7                    | 27.7 | 24.5 |

(1) Revenue growth ratio equals revenue growth divided by revenue for the last year.

(2) Gross margin equals gross profit divided by revenue for the year.

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## SUMMARY

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### BUSINESS SUSTAINABILITY

We had achieved sustained business development but were loss-making during the Track Record Period. Since our inception, we have been pursuing our mission to empower healthcare transformation through information technology by strategically planning for growth and sustainability. Benefiting from the following solid foundation we have built, we believe we are able to maintain sustainability and growth of our business:

- **Revenue.** Revenue generated from each of our business segments witnessed rapid growth during the Track Record Period. We expect that our revenue will continue to grow due to the increase in customer numbers, our deepening relationships with customers and increased average selling prices as we further enhance the quality of our service offerings.
- **Gross profit and gross margin.** We had positive gross profit and gross margins in 2020, 2021 and 2022. The level of our gross margins is largely affected by our business mix. In general, we expect our gross profit and gross margin to improve as we achieve economies of scale of our cloud hospital platforms and as we continue to enrich our service offerings and provide premium services.
- **Operating expense leverage.** During the Track Record Period, because of the growth of our revenue base, our selling and marketing expenses, research and development expenses, and administrative expenses accounted for a lower percentage of our revenue, despite the increases of these expenses in absolute amounts. We expect to further improve the efficiency of our selling and marketing, research and development, and administrative activities and our spending on such activities.

For details, see “Business – Business Sustainability.”

### RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to invest in our [REDACTED]. Some of the major risks we face include: (i) We operate in an emerging and dynamic industry and our historical results of operations and financial performance may not be indicative of future performance; (ii) We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects; (iii) We may not be able to manage the growth of our business and operations or implement our business strategies on schedule or within our budget, or at all; (iv) The application and scalability of our city-specific cloud hospital platform model in new regions may be affected by factors beyond our control; and (v) We recorded net operating cash outflows throughout the Track Record Period and expect to incur operating losses in the future, and may not be able to achieve or maintain profitability, and we recorded negative equity or net liabilities during the Track Record Period.

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## SUMMARY

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### DIVIDEND

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

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

### USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for enriching our offerings across the industry value chain to provide more professional and diversified healthcare services;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for research and development on technology infrastructure and data capabilities;

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## SUMMARY

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- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for potential mergers and acquisitions opportunities; and
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for working capital and other general corporate purposes.

See “Future Plans and Use of [REDACTED]” in this document for details.

## RECENT DEVELOPMENTS

### Overseas Listing

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial public offering and listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted. On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if such domestic companies complete the overseas listing within such six-month transition period and there is no re-hearing required by the Stock Exchange during such period, they are not subject to the filing procedure with respect to such overseas listing.

We have passed the hearing before March 31, 2023. Our PRC Legal Advisor is of the view that if there is no re-hearing required by the Stock Exchange and this [REDACTED] can be completed before September 30, 2023, we will not be required to file with the CSRC with respect to this [REDACTED]. The Company expects to complete this [REDACTED] and [REDACTED] before September 30, 2023, and, accordingly, our Directors are of the view that we will not be required to complete the aforesaid filing procedures with the CSRC in connection with this [REDACTED] and [REDACTED]. See “Risk Factors – Risks Relating to the PRC – We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with this [REDACTED], future capital raising activities and future major events.”

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## SUMMARY

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### **Cybersecurity and Data Privacy**

On November 14, 2021, the CAC published for public comment the Draft Administration Regulations on Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft CAC Regulations on Internet Data Security”). The final version and effective date of such Draft CAC Regulations on Internet Data Security may be subject to change. As of the date of this document, the Draft CAC Regulations on Internet Data Security had not come into effect and we had not received any notices or inquiries from relevant competent authorities requiring us to apply for cybersecurity review. For more details, see “Regulatory Overview – Regulations Relating to Internet Security.”

On December 28, 2021, the CAC, together with other regulators, jointly announced the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “Cybersecurity Review Measures”), effective from February 15, 2022. Pursuant to the Cybersecurity Review Measures, besides the procurement of network products and services by critical information infrastructure operators, any data processing activities by network platform operators that affect or may affect national security shall be subject to the cybersecurity review as well. In accordance with the Cybersecurity Review Measures, network platform operators handling personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市). For more details, see “Regulatory Overview – Regulations Relating to Internet Security,” “Business – Data Privacy and Protection” and “Risk Factors – Risks Relating to Our Business and Industry – The improper use, disclosure or storage of data over our cloud hospital platforms could harm our reputation as well as have a material adverse effect on our business, financial condition, results of operations and prospects.”

### **No Material Adverse Change**

Since January 1, 2023, we have witnessed growth in our business operations, including, but not limited to, increases in the service volumes of both the Internet medical services and health management services in the first four months of 2023 compared to the same period in 2022. In particular, the service volume of the Internet home care services increased from approximately 14,000 in the four months ended April 30, 2022 to approximately 26,000 in the same period of 2023, and the service volume of the health management services increased from approximately 70,000 in the four months ended April 30, 2022 to approximately 100,000 in the same period of 2023.

Our Directors have confirmed that up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2022 (being the date of our latest audited financial statements) and there has been no event since December 31, 2022 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this document. We expect to incur net loss for the year ending December 31, 2023, because, despite the expected increase in revenue and gross profit, our gross profit generated was unable to compensate for our operating expenses, including selling and distribution expenses, research and development expenses and administrative expenses. Nonetheless, such expectation is forward-looking in nature and subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, such forward-looking statement reflects the current views of our Company or our management with respect to future events, and are not a guarantee of future performance.



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## SUMMARY

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### COVID-19 IMPACTS

Since late 2019, a novel strain of coronavirus was detected and emerged globally. In response to the pandemic of the contagious coronavirus disease (“COVID-19”), the Chinese government took a number of actions, which included, among other things, compulsory quarantine arrangements, travel restrictions, remote work arrangements and public activities restrictions. The COVID-19 pandemic also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. For details of the COVID-19 impacts on our business during the Track Record Period, see “Business – COVID-19 Impacts.” The Chinese government has adjusted its pandemic prevention policies since late 2022, and with the termination of the “dynamic zero-COVID” policy, economic activities have begun to gradually recover and return to normal nationwide since early 2023.

Since January 1, 2023, there has been no material adverse impact on our business operations and financial performance from the COVID-19 pandemic, and we currently do not anticipate any material deviation from our development and expansion plans due to the COVID-19 pandemic. There can be no assurance, however, that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. For details, see “Risk Factors – Risks Relating to Our Business and Industry – An occurrence of a natural disaster, widespread health pandemic or epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.”

### [REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] Shares are issued pursuant to the [REDACTED]; (ii) [REDACTED] Shares are issued and outstanding following the completion of the [REDACTED] saved as disclosed in note (2) below; and (iii) presuming the Assumptions.

|  | <b>Based on an<br/>[REDACTED] of<br/>HK\$[REDACTED]</b> | <b>Based on an<br/>[REDACTED] of<br/>HK\$[REDACTED]</b> |
|--|---|---|
| Market capitalization of our Shares <sup>(1)</sup> . . . . .   | HK\$[REDACTED]  | HK\$[REDACTED]  |
| Unaudited [REDACTED] adjusted consolidated net tangible assets<br>per Share <sup>(2)</sup> . . . . . | HK\$[REDACTED]<br>(RMB[REDACTED])                       | HK\$[REDACTED]<br>(RMB[REDACTED])                       |

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(1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] presuming the Assumptions.

(2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share as of [December 31, 2022] is calculated after making the adjustments referred to in Appendix II to this document and on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the [REDACTED] presuming the Assumptions.

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## SUMMARY

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For the calculation of the unaudited [REDACTED] adjusted consolidated net tangible assets per Share attributable to our Shareholders, see “Unaudited [REDACTED] Statement of Adjusted Net Tangible Assets” in Appendix II to this document.

### [REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately RMB[REDACTED] (including (i) [REDACTED] of approximately RMB[REDACTED], and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED], which consist of financial and legal advisor fees and expenses of approximately RMB[REDACTED] and other fees and expenses of approximately RMB[REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and no exercise of the [REDACTED], of which (i) approximately RMB[REDACTED] is directly attributable to the issue of our [REDACTED] and will be deducted from equity, (ii) approximately RMB[REDACTED] has been expensed in our consolidated statements of profit or loss in 2021 and 2022, and (iii) approximately RMB[REDACTED] is expected to be expensed in our consolidated statements of profit or loss after December 31, 2022. Our [REDACTED] expenses account for [REDACTED]% of the gross [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and no exercise of the [REDACTED]).

### APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued pursuant to the [REDACTED] (including any additional Shares which may be issued pursuant to the exercise of the [REDACTED]) and any Shares which may be issued pursuant to the Pre-[REDACTED] SOS and the Post-[REDACTED] SOS, on the basis that we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our expected market capitalization at the time of [REDACTED], which, based on the low end of the indicative [REDACTED], exceeds HK\$4.0 billion, and (ii) our revenue for the year ended December 31, 2022 being RMB687.4 million (equivalent to approximately HK\$749.6 million), which is over HK\$500.0 million.

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## DEFINITIONS

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*In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of Technical Terms” in this document.*

|                                      |   |
|--------------------------------------|---|
| “Accountant’s Report”                | the accountant’s report of our Group, the text of which is set out in Appendix I to this document   |
| “affiliate”                          | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person  |
| “AFRC”                               | Accounting and Financial Reporting Council  |
| “Alps Alpine”                        | Alps Alpine Co., Ltd., one of our Pre-[REDACTED] Investors, and further details of which are set out in “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments – Information about the Pre-[REDACTED] Investors” |
| “Articles”/“Articles of Association” | the amended and restated articles of association of our Company, conditionally adopted on [●] with effect from the [REDACTED], a summary of which is set out in Appendix III to this document   |
| “associate(s)”                       | has the meaning ascribed thereto under the Listing Rules  |
| “Assumptions”                        | assuming the [REDACTED] is not exercised and options granted under the Pre-[REDACTED] SOS are not exercised, and no options are granted under the Post-[REDACTED] SOS   |
| “Board” or “Board of Directors”      | the board of directors of our Company   |
| “business day”                       | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business   |
| “BVI”                                | the British Virgin Islands  |
| “CAC”                                | Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)  |

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## DEFINITIONS

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[REDACTED]

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| “Cayman Companies Act”/“Companies Act” | the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time  |
| “CCASS”                                | The Central Clearing and Settlement System established and operated by HKSCC   |
| “CCASS Clearing Participant”           | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant   |
| “CCASS Custodian Participant”          | a person admitted to participate in CCASS as a custodian participant   |
| “CCASS Investor Participant”           | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation  |
| “CCASS Participant”                    | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant  |
| “China” or the “PRC”                   | the People’s Republic of China, which for the purpose of this Document and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Class A Ordinary Shares”              | the Class A ordinary Shares in the share capital of our Company  |
| “Class B Ordinary Shares”              | the Class B ordinary Shares in the share capital of our Company  |
| “Class C Ordinary Shares”              | the Class C ordinary Shares in the share capital of our Company  |
| “Companies Ordinance”                  | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |

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## DEFINITIONS

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| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time  |
| “Company”, “our Company” or “the Company”                       | NEUSOFT XIKANG HOLDINGS INC. (東軟熙康控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 12, 2011   |
| “Compliance Advisor”  | Somerley Capital Limited   |
| “connected persons(s)”  | has the meaning ascribed to it under the Listing Rules   |
| “connected transaction(s)”                                      | has the meaning ascribed to it under the Listing Rules   |
| “Consolidated Affiliated Entity(ies)”                           | entities controlled by the Company through the Contractual Arrangements and considered as our subsidiaries, namely the Onshore Holdcos and their respective subsidiaries. For further details of these entities, see “Contractual Arrangements” in this document   |
| “Contractual Arrangements”                                      | the Xikang Information Contractual Arrangements and the Xikang Medical Contractual Arrangements, being the series of contractual arrangements entered into between Xikang WFOE, Onshore Holdcos and the Registered Shareholders, details of which are described in “Contractual Arrangements” in this document |
| “Director(s)”   | the director(s) of our Company   |
| “Dongkong International Fifth”                                  | Dongkong International Fifth Investment Inc., a company incorporated under the laws of the BVI on June 23, 2015, and a Shareholder of our Company wholly owned by Neusoft Holdings   |
| “Dongkong International Seventh”                                | Dongkong International Seventh Investment Inc., a company incorporated under the laws of the BVI on June 23, 2015, and a Shareholder of our Company wholly owned by Neusoft Holdings   |
| “Dr. Liu”   | Dr. Liu Jiren (劉積仁), the chairperson of the Board and a non-executive Director of our Company  |

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## DEFINITIONS

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|----------------------|---|
| “Extreme Conditions” | extreme conditions caused by a super typhoon as announced by the government of Hong Kong  |
| “First Care”         | First Care 第一關愛, one of our Pre-[REDACTED] Investors, and further details of which are set out in “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments – Information about the Pre-[REDACTED] Investors” |
| “Frost & Sullivan”   | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research consultant, which is an Independent Third Party  |

[REDACTED]

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|--|--|
| “Group,” “our Group,”<br>“the Group,” “we,” “us” or<br>“our” | the Company, its subsidiaries and the Consolidated Affiliated Entities or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| “HKFRS”  | the Hong Kong Financial Reporting Standards  |
| “HKSCC”  | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited   |
| “HKSCC Nominee”  | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC   |
| “Hong Kong” or “HK”  | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Hong Kong dollars,”<br>“HK dollars,” “HKD” or<br>“HK\$”     | Hong Kong dollars, the lawful currency of Hong Kong  |

## DEFINITIONS

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[REDACTED]

“Hong Kong Share Registrar” [REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange” The Stock Exchange of Hong Kong Limited

[REDACTED]

“Independent Third Party(ies)” an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of the Company

[REDACTED]

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## DEFINITIONS

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[REDACTED]

“KangRich” KangRich Investments Limited, a company incorporated under the laws of BVI on July 8, 2015, and an employee shareholding platform and a Shareholder of our Company

“Kingset Ventures” Kingset Ventures Limited, one of our Pre-[REDACTED] Investors, and further details of which are set out in “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments – Information about the Pre-[REDACTED] Investors”

“Latest Practicable Date” May 15, 2023, being the latest practicable date for ascertaining certain information in this document before its publication

“Liaoning Xikang” Liaoning Neusoft Xikang Healthcare Management Co., Ltd. (遼寧東軟熙康健康管理有限公司), a company incorporated under the laws of the PRC on October 13, 2011, and a wholly-owned subsidiary of Xikang WFOE

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange



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## DEFINITIONS

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[REDACTED]

|  |   |
|--|---|
| “Listing Rules”                                | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time  |
| “M&A Rules”                                    | the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), jointly issued by the MOFCOM, the State Assets Supervision and Administration Commission, the STA, the SAIC, the China Securities Regulatory Commission, and the SAFE on August 8, 2006 and amended by the MOFCOM on June 22, 2009 |
| “Main Board”                                   | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange   |
| “Memorandum” or<br>“Memorandum of Association” | the amended and restated memorandum of association of our Company, conditionally adopted on [●], with effect from the [REDACTED], a summary of which is set out in Appendix III to this document  |
| “MOFCOM”                                       | the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)   |
| “NDRC”   | National Development and Reform Commission of the PRC (中國國家發展與改革委員會)  |
| “Neusoft (HK)”                                 | Neusoft (HK) Limited, a company incorporated under the laws of Hong Kong on August 25, 2000 and a Shareholder of our Company wholly-owned by Neusoft Corporation  |
| “Neusoft Corporation”                          | Neusoft Corporation (東軟集團股份有限公司), a company incorporated under the laws of the PRC on June 17, 1991, which is listed on the Shanghai Stock Exchange (stock code: 600718) on June 18, 1996   |

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## DEFINITIONS

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|-------------------------------------|---|
| “Neusoft Holdings”                  | Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under the laws of the PRC on November 15, 2011   |
| “NHC,” or formerly known as “NHFPC” | National Health Commission of the PRC (中華人民共和國國家衛生健康委員會), and formerly known as National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會)   |
| “NHSA”                              | National Healthcare Security Administration (國家醫療保障局)   |
| “Ningbo Cloud Hospital”             | Ningbo Cloud Hospital Co., Ltd. (寧波雲醫院有限公司), a company incorporated under the laws of the PRC on June 26, 2015, and a wholly-owned subsidiary of Ningbo Xikang  |
| “Ningbo Xikang”                     | Ningbo (Neusoft Xikang) Smart Healthcare Research Institute Co., Ltd. (寧波(東軟熙康)智慧健康研究院有限公司), a company incorporated on July 25, 2014, and a wholly-owned subsidiary of Xikang Medical Management  |
| “NIS”                               | New Israeli Shekel, the lawful currency of the State of Israel  |
| “Noble Investment”                  | Noble Investment Holdings Limited, one of our Pre-[REDACTED] Investors, and further details of which are set out in “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments – Information about the Pre-[REDACTED] Investors” |

[REDACTED]

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## DEFINITIONS

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“Onshore HoldCos” collectively, Xikang Medical and Xikang Information, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements

[REDACTED]

“PICC P&C” PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司), one of our Pre-[REDACTED] Investors and a connected person of our Company, and further details of which are set out in “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments – Information about the Pre-[REDACTED] Investors”

“Post-[REDACTED] SOS” the share option scheme adopted by our Company on May 28, 2021, as amended or otherwise modified from time to time, and detailed in “Appendix IV – Statutory and General Information – D. Share Option Schemes – 2. Post-[REDACTED] SOS”

“PRC Legal Advisor” Tian Yuan Law Firm, the PRC legal advisor to our Company

“Pre-[REDACTED] Investments” the pre-[REDACTED] investment(s) in our Group undertaken by the Pre-[REDACTED] Investors, details of which are set out in “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments”

“Pre-[REDACTED] Investors” Kingset Ventures, Noble Investment, Syn Invest, PICC P&C, Alps Alpine and First Care

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## DEFINITIONS

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|---|---|
| “Pre-[REDACTED] SOS”                            | the share option scheme adopted by our Company on March 29, 2019, as amended or otherwise modified from time to time, and detailed in “Appendix IV – Statutory and General Information – D. Share Option Schemes – 1. Pre-[REDACTED] SOS” |
|   | [REDACTED]  |
| “Principal Share Registrar and Transfer Office” | [REDACTED]  |
|   | [REDACTED]  |
| “QIB” or “Qualified Institutional Buyer”        | a qualified institutional buyer within the meaning of Rule 144A   |
| “Regulation S”                                  | Regulation S under the U.S. Securities Act  |
| “Registered Shareholders”                       | the registered shareholders of the Onshore Holdcos, namely Ms. Zong Wenhong, our executive Director and chief executive officer and Ms. Wang Shuli, our vice president and chief financial officer  |
| “Reorganization”                                | the onshore reorganization as set out in “History, Reorganization and Corporate Structure – Corporate Reorganization”   |
| “RMB” or “Renminbi”                             | Renminbi, the lawful currency of China  |
| “Rongsheng Insurance”                           | Rongsheng Property Insurance Co., Ltd. (融盛財產保險股份有限公司), a company incorporated under the laws of the PRC on July 9, 2018, and a connected person of our Company controlled as to 33.05% by Neusoft Corporation                             |
| “Rule 144A”                                     | Rule 144A under the U.S. Securities Act   |
| “SAFE”  | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)  |

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## DEFINITIONS

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|-------------------------------------|--|
| “SAFE Circular 37”                  | the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by the SAFE with effect from July 4, 2014 |
| “SAMR”, or formerly known as “SAIC” | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), and formerly known as State Administration of Industry and Commerce of the PRC (中華人民共和國工商行政管理局)   |
| “STA”                               | the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)   |
| “SFC”                               | The Securities and Futures Commission of Hong Kong   |
| “SFO”                               | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time  |
| “Shanghai Clinic”                   | Shanghai Xikang Clinic Co., Ltd. (上海熙康門診部有限公司), a company incorporated under the laws of the PRC on September 24, 2015, and a wholly-owned subsidiary of Shanghai Xikang   |
| “Shanghai Xikang”                   | Shanghai Xikang Healthcare Management Co., Ltd. (上海熙康健康管理有限公司), a company incorporated under the laws of the PRC on January 11, 2013, and a wholly-owned subsidiary of Xikang Medical Management   |
| “Share(s)”                          | ordinary share(s) in the share capital of our Company with a par value of US\$0.001 each before share subdivision and with a par value of US\$0.0002 after Share Subdivision   |
| “Share Option Scheme(s)”            | Pre-[REDACTED] SOS and/or Post-[REDACTED] SOS  |
| “Share Subdivision”                 | the subdivision of the Company’s ordinary Shares from 142,625,261 Shares to 713,126,305 Shares by subdividing each existing Share into five Shares as approved by the Shareholders by way of a written resolution passed on [●]            |

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## DEFINITIONS

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| “Shareholder(s)”                              | holder(s) of our Shares  |
| “Smartwave”                                   | Smartwave Holdings Inc., a company incorporated under the laws of BVI on March 15, 2011, and a Shareholder of our Company wholly-owned by Neusoft Holdings   |
|   | <p style="text-align: center;">[REDACTED]</p>  |
| “Sole Sponsor”, “[REDACTED]” and “[REDACTED]” | China International Capital Corporation Hong Kong Securities Limited   |
| “State Council”                               | the PRC State Council (中華人民共和國國務院)   |
| “Subsidiary(ies)”                             | has the meaning ascribed to it under the Companies Ordinance, including any Consolidated Affiliated Entity of the Company  |
| “Syn Invest”                                  | Syn Invest Co. Ltd, one of our Pre-[REDACTED] Investors, and further details of which are set out in “History, Reorganization and Corporate Structure – Pre-[REDACTED] Investments – Information about the Pre-[REDACTED] Investors” |
| “Takeovers Code”                              | the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time  |
| “Track Record Period”                         | the three years ended December 31, 2020, 2021 and 2022   |
| “U.S. dollars”, “USD” or “US\$”               | U.S. dollars, the lawful currency of the United States of America  |

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## DEFINITIONS

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| “U.S. Securities Act”           | the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder |
| “United States”, “U.S.” or “US” | the United States of America   |
| “VIE” or “VIEs”                 | variable interest entity or variable interest entities   |

[REDACTED]

|   |  |
|---|--|
| “Xikang Information”                          | Beijing Neusoft Xikang Information Technology Co., Ltd. (北京東軟熙康信息技術有限公司), a limited liability company incorporated under the laws of the PRC on March 27, 2015, and is one of our Onshore Holdcos and Consolidated Affiliated Entities |
| “Xikang Information Contractual Arrangements” | the series of contractual arrangements entered into between Xikang WFOE, Xikang Information and the Registered Shareholders, details of which are described in “Contractual Arrangements” in this document                             |
| “Xikang International”                        | Neusoft Xikang International Limited, a company incorporated under the laws of Hong Kong on April 2, 2001, and a wholly-owned subsidiary of our Company  |
| “Xikang Medical”                              | Beijing Neusoft Xikang Medical Technology Co., Ltd. (北京東軟熙康醫療科技有限公司), a company incorporated under the laws of the PRC on December 26, 2017, and is one of our Onshore Holdcos and Consolidated Affiliated Entities                    |
| “Xikang Medical Contractual Arrangements”     | the series of contractual arrangements entered into between Xikang WFOE, Xikang Medical and the Registered Shareholders, details of which are described in “Contractual Arrangements” in this document                                 |

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## DEFINITIONS

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| “Xikang Medical Management” | Shenyang Neusoft Xikang Medical Enterprise Management Co., Ltd. (瀋陽東軟熙康醫療企業管理有限公司), a company incorporated under the laws of the PRC on January 24, 2018, and is owned as to 70% by Xikang WFOE and 30% by Xikang Medical |
| “Xikang Medical System”     | Shenyang Neusoft Xikang Medical System Co., Ltd. (瀋陽東軟熙康醫療系統有限公司), a company incorporated under the laws of the PRC on November 24, 2011, and a wholly-owned subsidiary of Xikang WFOE                                    |
| “Xikang WFOE”               | Neusoft Xikang Healthcare Technology Co., Ltd. (東軟熙康健康科技有限公司), a company incorporated under the laws of PRC on August 12, 2011 and a wholly-owned subsidiary of Xikang International                                      |

*Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.*

*The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.*

*Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*



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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

|                                      |   |
|--------------------------------------|---|
| “AI”                                 | artificial intelligence, the use of machine to aid or replace human in doing certain tasks by simulating the sight, hearing, senses and thinking of human   |
| “CAGR”                               | compound annual growth rate   |
| “Class II hospitals”                 | secondary hospitals that provide comprehensive medical services to a region, which are designated as Class II hospitals by the NHC hospital classification system   |
| “Class III hospitals”                | multi-regional hospitals with large capacity that provide high-quality professional medical services, undertake higher education and scientific research initiatives, which are designated as Class III hospitals by the NHC hospital classification system |
| “Class III Grade A hospitals”        | hospitals of the top grade in the NHC hospital classification system  |
| “convalescent care”                  | refers to nursing care or therapeutic services for patients to help them to recuperate and recover after a surgery or serious illness   |
| “digital healthcare services market” | covers four key components, (i) digital healthcare infrastructure, (ii) digital healthcare services, (iii) digital consumer healthcare products and services, and (iv) digital health management services   |
| “ECG”                                | electrocardiography, the process of producing a graph of voltage versus time of the electrical activity of the heart using electrodes placed on the skin  |
| “EMR”                                | electronic medical record   |
| “follow-up”                          | a vital part of ongoing patient safety. It allows for subsequent investigations to be checked and acted upon, encourages specialist review of patients and ensures that patients with chronic conditions receive the appropriate secondary care input       |

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## GLOSSARY OF TECHNICAL TERMS

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|                                 |  |
|---------------------------------|--|
| “GDP”                           | gross domestic product   |
| “Internet hospitals”            | a new type of medical institutions approved by the NHC primarily consists of offshoots of offline medical institutions and online medical platforms. After completing filing on relevant regulatory platforms and registration with the Internet hospitals, doctors usually could provide online consultation and diagnosis, follow-up consultation for some common diseases and chronic diseases, as well as family doctor health management services |
| “IoT”                           | Internet of things   |
| “IT”                            | information technology   |
| “Northern China”                | a geographical region in China including cities and provinces located in the northern area of China, including, for example, Beijing, Tianjin, Hebei province, Shandong province, Shanxi province, Liaoning province and Inner Mongolia Autonomous Region  |
| “PACS”                          | picture archiving and communication system, a medical imaging technology which provides economical storage and convenient access to images from multiple modalities (source machine types)   |
| “primary care”                  | refers to the medical part of primary healthcare. It is the first point of contact that patients made with their doctors, such as general practitioners  |
| “remote medical service center” | special medical department within hospitals that provide remote medical services   |
| “primary medical institution”   | medical institution that provides basic public health and medical services to residents in the local community that it was established to serve  |
| “secondary care”                | refers to more specialized and complex medical care which is usually provided in a hospital setting  |

## GLOSSARY OF TECHNICAL TERMS

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|                       |   |
|-----------------------|---|
| “Southern China”      | a geographical region of China including cities and provinces located in the southern area of China, including, for example, Chongqing, Sichuan province, Yunnan province, Guizhou province, Guangxi province, Hunan province and Hubei provinces |
| “tender success rate” | a percentage calculated as the number of bids won over the number of bids placed multiplied by 100%   |
| “Yangtze River Delta” | a triangle-shaped geographical region of China comprising Shanghai, Jiangsu, Anhui and Zhejiang provinces   |

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## FORWARD-LOOKING STATEMENTS

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This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

## **FORWARD-LOOKING STATEMENTS**

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Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The [REDACTED] price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that substantially all of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Overview" and "Appendix III – Summary of the Constitution of the Company and the Cayman Islands Companies Laws."*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements."*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **We operate in an emerging and dynamic industry and our historical results of operations and financial performance may not be indicative of future performance.**

We operate in the emerging and dynamic digital healthcare services market in the PRC. The digital healthcare services market is relatively new, and it is uncertain whether it would achieve and sustain high levels of demand, consumer acceptance and market adoption. Risks and challenges we may face in this emerging and dynamic industry include our ability to, among other things:

- develop and maintain relationships with our existing business partners and attract new business partners to our cloud hospital platforms;
- enhance and maintain the value of our brand;
- navigate an evolving regulatory environment;
- develop and launch diversified and distinguishable products to effectively address the needs of patients and healthcare providers;
- attract more commercial insurers or connect to the social medical insurance systems;
- grow our user base and enhance their engagement and utilization of services in a cost-efficient manner;

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## RISK FACTORS

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- develop or implement additional strategic initiatives to further enhance monetization;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- maintain our innovative corporate culture and continue to attract, retain and motivate talented employees; and
- defend ourselves against litigation, regulatory investigation, claims concerning medical practice, intellectual property, privacy or other aspects of our business.

If we fail to address any of the foregoing risks and challenges, our business, financial condition and results of operations may be materially and adversely affected.

Meanwhile, in 2020, 2021 and 2022, our revenue was RMB503.0 million, RMB614.3 million, and RMB687.4 million, respectively, and we experienced losses of RMB198.5 million, RMB294.4 million and RMB243.4 million, respectively. Though our historical results and growth may not be indicative of our future performance, there can be no assurance that we would be able to generate profits in the future. Our ability to achieve profitability is affected by a variety of factors, many of which are beyond our control, and our results of operations may vary from period to period in response.

**We are subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects.**

Due to the complex nature of our business, we are subject to legal and regulatory requirements of multiple industries in the PRC. These industries primarily include the Internet, healthcare and digital healthcare services industries.

Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of the Internet and healthcare industries. In respect of the healthcare industry, in particular, any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Meanwhile, the regulations of both the Internet industry and digital healthcare services sector are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. For example, changes in laws and regulations on data, especially data storage on third-party public cloud platform, as well as changes in laws and regulations on internet diagnosis and treatment, such as the verification requirement of internet hospitals, may change from time to time and we are therefore exposed to compliance risks to the evolving regulatory requirements. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and

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## RISK FACTORS

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regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. Compliance with these future laws and regulations may require us to change our business models and practices at an undeterminable and possibly significant financial cost. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations. We have identified what we believe are the primary areas of government regulation that, if changed, would be costly to us. These areas include, but are not limited to, value-added telecommunications services, administration of medical practitioners and medical institutions, sales, supply, distribution and advertising of pharmaceutical products and medical devices, online medical treatment, Internet advertising as well as cybersecurity and confidentiality of user information. See “Regulatory Overview.” For example, in August 2022, NMPA published the Measures for the Supervision and Administration of Online Pharmaceutical Transactions (《藥品網絡銷售監督管理辦法》). Such Measures provide specific and explicit rules for the online pharmaceutical transaction services, which is perceived to be more conducive to online pharmaceutical transaction platform providers, but also presents challenges for them to be in compliance. It remains uncertain that our online pharmaceutical transaction platforms are and will be in full compliance with the relevant laws and regulations or any new laws and regulations that may be promulgated in the future, which are evolving and subject to changes. Any failure to comply with such laws and regulations could subject us to disciplinary warnings and administrative penalties, which may, in turn, materially and adversely affect our business, financial condition, results of operations and prospects. Additionally, we cannot assure you that our scrutiny measures and mechanism will be effective or sufficient. There may be loopholes in our scrutiny measures and such measures may not be able to detect and report the major problems involving pharmaceutical quality and safety to the pharmaceutical administrations effectively and timely, which is required under the Measures for the Supervision and Administration of Online Pharmaceutical Transactions. Failure to effectively inspect the major problems involving pharmaceutical quality and safety could expose us to liability under PRC laws and regulations, which may incur significant liability and our business, financial condition and results of operations could be materially and adversely affected. There could be other laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that subsequent laws and regulations would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. If we must remedy any violations, we may be required to modify our business models as well as product and service offerings in a manner that undermines our solution’s attractiveness to our users. We may also become subject to fines or other penalties or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.



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## RISK FACTORS

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Furthermore, the introduction of new services and products may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licenses or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business, financial condition and results of operations.

**We may not be able to manage the growth of our business and operations or implement our business strategies on schedule or within our budget, or at all.**

Our business has become increasingly complex in terms of both the type and scale of business we operate. Any expansion may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

We are also continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business. See "Business – Our Strategies." We expect to further expand our business, which may expose us to additional risks, including, among other things:

- difficulties with managing operations into new geographical regions, including complying with the various local regulatory and legal requirements;
- different approval or licensing requirements;
- recruiting sufficient personnel in these new markets;
- challenges in providing services and products as well as supports in these new markets; and
- challenges in attracting cooperating hospitals and other participants on our cloud hospital platforms as well as users and remaining competitive.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our business will be affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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The anticipated benefits from these efforts are based on assumptions that may prove to be inaccurate. Moreover, we may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve or it may be more costly to do so than we anticipate. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be materially and adversely affected.

**The application and scalability of our city-specific cloud hospital platform model in new regions may be affected by factors beyond our control.**

We offer cloud hospital platform services to assist local governments in establishing city-specific cloud hospital platforms, and we have a relatively mature city-specific cloud hospital platform in Ningbo. We have applied, and expect to apply, such cloud hospital platform model to other cities in China, and the success of such application, and the scalability of the platforms established or to be established depends on various factors, such as cooperation of local medical institutions and social medical insurance systems, evolving governmental policies, regional competition as well as willingness of residents to utilize digital healthcare services, many of which are beyond our control. For example, we fail to win new projects for building and operating city-specific cloud hospital platforms due to any significant changes in the contracting or fiscal policies of the local public sector, including availability of government funding, public-sector budgetary cycles and the adoption of new laws or regulations or changes to existing laws or regulations, among other things. In particular, any budget adjustments of public sector customers may result in delayed payment from them. See “– Risks Relating to Our Business and Industry – We are subject to the risk of payment delays from public sector customers” and “Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables.” Failure to manage these factors may adversely affect our business, financial condition, results of operations and prospects.

**We are subject to the risk of any payment delay from public sector customers.**

We generally focus on customers in the public sector in the cloud hospital platform services and smart healthcare products segments. Any budget adjustments of public sector customers may result in delayed payment from them. Therefore, we are exposed to the risk of any delayed payment from public sector customers. This might result in slow turnover of our trade receivables and restrict our working capital resources. See “Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables” for more details. There can be no assurance that our public sector customers will make payments in a timely manner, whereas the long collection time for receivables due from public sector customers may adversely affect our working capital and cash flows.

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## RISK FACTORS

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**We recorded net operating cash outflows throughout the Track Record Period and expect to incur operating losses in the future, and may not be able to achieve or maintain profitability, and we recorded negative equity or net liabilities during the Track Record Period.**

Throughout the Track Record Period, we had experienced net losses and negative cash flows from operations. In 2020, 2021 and 2022, we had net losses of RMB198.5 million, RMB294.4 million and RMB243.4 million, respectively. During the same years, we had accumulated losses attributable to owners of the Company of RMB1,759.2 million, RMB2,055.5 million and RMB2,297.5 million, respectively. Furthermore, in 2020, 2021 and 2022, we had negative operating cash flows of RMB17.3 million, RMB83.4 million and RMB73.8 million, respectively. We expect our operating expenses to increase in the future as we expand our operations. Furthermore, after the [REDACTED], we may incur additional compliance, accounting, and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

Moreover, we recorded negative equity or net liabilities of RMB130.5 million, RMB267.4 million and RMB446.0 million as of December 31, 2020, 2021 and 2022, respectively. Our net liabilities positions expose us to liquidity risk. Our future liquidity, payment of trade and other payables, capital expenditure plans and repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have net liabilities positions in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, financial condition and results of operations.

**If we do not succeed in attracting new medical institutions for our solutions or growing revenue from existing medical institutions, we may not be able to achieve our revenue growth goals.**

Our ability to attract new medical institutions depends on a number of factors, including our ability to offer solutions and services at competitive prices in response to medical institutions' needs, the evaluation by existing medical institutions on the performance of our solutions, our ability to maintain comparative strengths to our competitors and the effectiveness of our marketing and sales efforts. If we fail to perform well in any of these aspects, our ability to attract new medical institutions could be impeded and, as a result, we may not be able to grow our business as quickly as we anticipate, or at all. In addition, medical institutions may engage third parties in developing healthcare information technology systems or develop such systems on their own, or they may continue to operate offline. Although our network of medical institutions increased steadily during the Track Record Period, however,

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## RISK FACTORS

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we cannot assure you that our network of medical institutions will continue to grow at the current pace or at all. Furthermore, the majority of the primary medical institutions are connected to our platform for free, mostly providing smart family doctor services through our platform. We believe that the primary medical institutions connected to our platform can drive user traffic for the Internet medical services, thus bringing synergistic effects. If we cannot grow the number of medical institutions that pay to be connected to our platform, or if the primary medical institutions connected to our platform fail to drive user traffic for the Internet medical services as anticipated, our revenue from the cloud hospital platform services and Internet medical services and hence our results of operations and financial condition may be materially and adversely affected.

Meanwhile, we face challenges in growing revenue from existing medical institutions. If we fail to capture recurring or new demands from existing medical institutions, the future growth of our revenue may be adversely affected. We have been deepening our relationship with these medical institutions through identifying more pressing industry needs and our network effects. However, we cannot assure you that our sales efforts will be as successful as expected, as their effects are impacted by many factors, some of which are beyond our control, such as the liquidity position of the medical institutions.

### **Our business may be harmed if we fail to maintain users' trust in our platforms and solutions.**

Maintaining the trust of our platforms and solutions is crucial for us to attract new, and retain existing, users, which largely depends on our proper management of the quality of services and products provided by the various participants, such as medical institutions, doctors, nurses and pharmacies, over our platforms. As many of such participants are not employed by us, we have limited control over their practice and the quality of their services on our platforms. There can be no assurance that our monitoring of their services would be sufficient to control the quality of their work, or they will strictly adhere to the specified work scope and quality requirements and comply with applicable laws and ethical rules. In the event that a participant fails to meet our quality and operating standards pursuant to our agreements or as required by relevant PRC laws and regulations or ethical rules, the operations of our Internet medical services and health management services may be disrupted.

For example, we are exposed to the risk of our cooperating medical institutions' potential failure to provide the agreed support under our cooperation agreements, which may result in our failure to launch such services on our platforms as anticipated and cause disruption to the operations of our platforms. In addition, we may not be able to renew the cooperation agreements with these hospitals upon expiry or such agreements may be terminated prematurely by the cooperating hospitals. Any such failure may interrupt the operation of our platforms, reduce users' satisfaction and have an adverse effect on our business, reputation, financial condition and results of operations.

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## RISK FACTORS

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Furthermore, because of the contractual relationships, we could be perceived as responsible for the actions of such participants and, as a result, suffer reputational damage and could be brought into legal proceedings that are costly and time consuming to defend, and accordingly materially and adversely affect our business, financial condition and results of operations. See “– We may be subject to medical liability claims or claims under consumer protection laws, including health and safety, claims and product liability claims” and “– We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties.”

**If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.**

The PRC digital healthcare services market is, and is expected to be, increasingly competitive. Our competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technological or marketing resources than we do. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements than us and may have the ability to initiate or withstand significant regulatory changes and industry evolution. Competition may also result in continued pricing pressures, which is likely to lead to price declines in certain of our product or service lines, and may, in turn, adversely affect our profitability and market share.

Meanwhile, new competitors that have greater market share, larger customer bases, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces than us may emerge, which could put us at a competitive disadvantage. In light of these factors, even if our solution is more effective than those of our competitors, current or potential customers may accept competitive solutions in lieu of ours. If we are unable to successfully compete in the digital healthcare services market, our business, financial condition and results of operations may be materially and adversely affected.

**The suspension of direct settlement by the social medical insurance system on our cloud hospital platforms may adversely affect our business, financial conditions and results of operations.**

Our capacity to enable direct settlement by social medical insurance for our Internet medical services and health management services can increase user stickiness and expand user base at low costs. As of December 31, 2022, the medical bills of our Internet medical services and health management services can be directly settled by social medical insurance in Ningbo and Shenyang. However, there can be no assurance that we are able to continue such direct settlement arrangement with relevant government agencies at the current levels or at all in the future, which are subject to many factors beyond our control including local policies regarding social medical insurance. Failure to continue such arrangement may result in the suspension of direct settlement by the social medical insurance system on our platforms, which may lead to loss of users, and, in turn, adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**We may be subject to medical liability claims or claims under consumer protection laws, including health and safety, claims and product liability claims.**

We face risks of medical liability claims against the doctors and nurses involved in our solutions. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that may exceed the limits of our insurance coverage. We carry professional liability insurance for the doctors and nurses in relation to the provision of online consultations and Internet home care services over our cloud hospital platforms. See "Business – Insurance." Professional liability insurance premiums may increase significantly in the future, particularly as we expand our services. As a result, adequate professional liability insurance may not be available to the doctors, nurses or us in the future on commercially acceptable terms, or at all.

Any claims made against us that are not fully covered by insurance or at all could be costly to defend against, result in substantial damage awards against us and divert the attention of our management and the doctors and nurses from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

In particular, we have received medical claims in amounts of approximately RMB2,820,000, RMB35,000 and RMB125,000, respectively, in 2020, 2021 and 2022, in relation to our health management services. We currently do not carry any professional liability insurance for this business. Though such claims did not have a material and adverse impact on our business and financial condition, there can be no assurance that we will not experience similar claims in the future and our insurance coverage may not be sufficient or we may not be covered by insurance at all.

Meanwhile, the PRC government, media outlets and public advocacy groups are increasingly focused on consumer protection. As part of our cloud hospital healthcare business, prescription and OTC drugs as well as other healthcare products and services are offered through our cloud hospital platforms. In addition, we also provide smart healthcare devices for sale and related services. Such activities pose increasing challenges to our internal control and compliance systems and procedures, including our control over and management of third-party service providers or suppliers, and expose us to substantial liability, negative publicity and reputational damage arising from consumer complaints, harms to personal health and safety or accidents involving products or services offered through our platforms or provided by us. Operators of e-commerce platforms are subject to certain provisions of consumer protection laws even where the operator is not the merchant of the product or service purchased by the consumer. In addition, if we do not take appropriate remedial action against the service providers or suppliers for actions they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly liable for infringement alongside the service provider or supplier. We may also be held jointly liable with the service providers or suppliers under the applicable PRC law if we fail to take necessary actions when we know or should have known that the products or services provided by the

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## RISK FACTORS

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service providers on our platforms or suppliers do not meet personal and property security requirements, or otherwise infringe upon consumers’ legitimate rights. Moreover, applicable consumer protection laws in China hold that trading platforms will be held liable for failing to meet any undertaking that the platforms make to consumers with regard to products listed on their websites. Furthermore, we may also be held liable if we fail to verify the licenses or qualifications of the service providers on our platforms, or fail to safeguard consumers with respect to the products or services affecting consumers’ health or safety.

### **Evolving and extensive regulatory requirements in the PRC regarding doctor management may affect our business operations and prospects.**

The practice of doctors is strictly regulated under PRC laws, rules and regulations. Doctors shall obtain the Practice Certificate for Medical Practitioners to practice upon registration. Generally, under applicable PRC regulations, a doctor shall register the medical institutions where the doctor practices on their licenses with the relevant authorities in the PRC (the “Medical Institution Registration”). In addition, a doctor is allowed to practice in multiple institutions if the doctor has filed with the competent health administration authorities as required by applicable laws and regulations (the “Multi-site Practice Filing”). Nevertheless, under current PRC regulations, it remains unclear in practice whether such filing and registration requirements apply to doctors multi-site practicing in Internet hospitals like ours besides their initial registered practicing medication institutions, and whether and how a doctor shall conduct the registration or filing with health administration authorities, if applicable, under such circumstances. According to our PRC Legal Advisor’s telephone consultation with the NHC, when doctors from other medical institutions provide medical services in an Internet hospital, they can practice directly at such Internet hospital without having to conduct the Multi-site Practice Filing or change their initial Medical Institution Registrations. However, we cannot assure you that all doctors practicing in the medical institutions of our network could continue to fully comply with the above-mentioned requirements from time to time, or new laws, regulations, rules and policies, imposing more stringent requirements, or further interpretations, implementations and enforcements by competent government authorities, at a timely manner, or at all.

If we fail to comply with the above-mentioned requirements, or future regulations, rules or requirements imposed by competent government authorities, the relevant doctors and/or we may be subject to fines, penalties or other regulatory measures. Meanwhile, if doctors practicing in the medical institutions of our network are found to have deficiencies by relevant authorities, they may be disciplined and their practicing licenses may be revoked. In such cases, we may no longer be able to offer certain of our medical services, which could materially and adversely affect our business. In addition, there can be no assurance that we could timely find qualified replacements on commercially reasonable terms, or at all.

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### **We rely on business relationships with major customers and suppliers.**

For each year during the Track Record Period, our five largest customers accounted for 16.2%, 14.3% and 20.1% of our total revenue, respectively. For each year during the Track Record Period, our largest customer contributed 5.0%, 3.3% and 11.2% of our total revenue, respectively. Any inability or failure by such customers to meet their payment obligations or contractual commitments or the insolvency or liquidation of our major customers could have a material adverse effect on our business, financial position and results of operations. See “Business – Our Customers.”

For each year during the Track Record Period, purchases from our five largest suppliers accounted for 41.2%, 33.5% and 34.0%, respectively, of our total purchases. For each year during the Track Record Period, purchases from our single largest supplier accounted for 15.7%, 14.3% and 15.9%, respectively, of our total purchases. Any significant delay in delivery, the inability of our major suppliers to meet their quantity and/or quality obligations or the unavailability of alternative suppliers could hinder our business plan, which could, in turn, have a material adverse effect on our business, financial condition and results of operations. See “Business – Our Suppliers.”

### **We may not be able to recoup the investments we make in research and development, which, in turn, could adversely impact our financial condition and results of operations.**

Our success depends in part on our ability to continually enhance our core capabilities and solutions. If we are unable to respond to rapid technological changes in a cost-effective manner and develop new features and functions that satisfy our customers’ demands, our solutions and other services may become less marketable and less competitive, and our business, results of operations may be adversely affected.

We have made, and will continue to make, investments in research and development which we believe to be helpful to our business, such as big data and IoT technologies. Although investments in research and development are critical to our success, they may not yield the desired results. We may experience difficulties that could delay or impede the development, after having expended significant time and financial resources. Even if research and development projects successfully lead to new core capabilities or solutions, they may require lengthy periods of time for testing before commercial launch, and the final solutions we offer to the market may not be well-received by our customers or generate sufficient revenue to cover the expenses incurred. In 2020, 2021 and 2022, our research and development expenses were RMB66.8 million, RMB86.4 million and RMB79.0 million, respectively.



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### **The potential loss or delay of our large service contracts or of multiple service contracts could adversely affect our results of operations.**

Our customers may delay, terminate, fail to perform or reduce the scope of our contracts for a variety of reasons beyond our control, which include, but are not limited to:

- lack of available financing, budgetary limits or changing priorities;
- actions by regulatory authorities;
- unexpected or undesired results for services and products; and
- shift of business to a competitor or internal resources.

In particular, due to stretched financial condition, change in budget priorities or other factors relating to the COVID-19 pandemic, certain pipeline projects were delayed or canceled by our local government and medical institution customers for the cloud hospital platform services. For risks relating to the COVID-19 pandemic, see “– An occurrence of a natural disaster, widespread health pandemic or epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.” There can be no assurance that there will be no further delay or cancellation of a similar nature.

Although some of our contracts provide for termination fees for our customers’ failure to perform the contract, such customers may refuse to pay these fees, and even if successfully enforced, these fees may not be sufficient for us to realize the full amount of revenues or profits anticipated under the related service contracts, or recover our costs. In cases where our contracts do not contain such clauses providing for these fees or our customers refuse to pay such fees, we may need to resort to legal proceedings for resolutions. Such proceedings are usually time consuming and could entail additional legal costs and distract our management. In addition, we will not realize the full benefits of our backlog of contractually committed services if our customers cancel, fail to renew, delay or reduce their commitments under our contracts with them, which may occur if, among other things, a customer decides to shift its business to a competitor or revoke our status as a preferred provider. Furthermore, some of our contracts are short-term and our customers may not renew or extend such short-term contracts with us after such contracts expire. Thus, the loss or delay of a large contract or the loss or delay of multiple contracts could adversely affect our revenue and profitability. We cannot assure you that we will be able to offset such revenue loss or delay in a timely fashion as large contracts or contracts in the amount we lose may not be available on a regular basis.

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## RISK FACTORS

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**An occurrence of a natural disaster, widespread health pandemic or epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.**

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic or pandemic, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic or pandemic illness or other adverse public health developments in the PRC or elsewhere could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we or our business partners use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or our business partners to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreak harms the global or PRC economy in general. Our operations could also be severely disrupted if our users or other participants were affected by such natural disasters, health epidemic or pandemics or other outbreaks.

In particular, in response to the COVID-19 pandemic, the Chinese government took a number of actions, which included, among other things, compulsory quarantine arrangements, travel restrictions, remote work arrangements and public activities restrictions. The COVID-19 pandemic also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. Accordingly, certain of our businesses, in particular, our health management business and our own medical institutions, were adversely impacted by the COVID-19 pandemic. Meanwhile, for the cloud hospital platform services, due to stretched financial condition, change in budget priorities or other factors relating to the COVID-19 pandemic, certain pipeline projects were delayed or canceled by our local government and medical institution customers. For the Internet medical services, doctors and nurses of our network of medical institutions in certain cities, such as Ningbo and Shenyang, have had less time that can be devoted to offering Internet medical services through our platforms, due to priorities relating to the COVID-19 pandemic. The global spread of the COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the duration and extent of the impact of COVID-19 outbreaks cannot be reasonably estimated at this time. The extent to which it may affect our results of operations, financial condition and cash flow will depend on the future developments of the outbreaks, which are highly uncertain and cannot be predicted. Such uncertainty poses operational challenges to our services offerings. Our operations could also be disrupted if one of our employees is suspected of having COVID-19 or another epidemic in our offices, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreaks harm the PRC economy in general.

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## RISK FACTORS

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The Chinese government has adjusted its pandemic prevention policies since late 2022. In particular, the PRC governments at all levels have strategically adjusted pandemic prevention policies and significantly lift the restrictive measures aimed at controlling the spread of the COVID-19 since December 2022, and there had been a noticeable uptick in infections within the population, which could result in companies imposing their own alternative working arrangements. If the COVID-19 pandemic persists, or if a significant portion of the population is infected with the virus, which may prompt changes in governmental policies and measures, and our business, results of operations and financial condition could be affected. To the extent that future waves of COVID-19 infections disrupt normal business operations and traveling in China, we may face disrupted market demand and operational challenges with our services. We are closely monitoring the development of the pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, we cannot estimate with any degree of certainty the full impact of the COVID-19 pandemic on our financial condition and future results of operations. The ultimate impact of the COVID-19 pandemic and related mitigation efforts will depend on future developments, including the duration of the COVID-19 pandemic, the acceptance and effectiveness of vaccines, the impact of COVID-19 and related containment and mitigation measures on the participants of our cloud hospital platforms, and other customers, suppliers, business partners and employees, workforce availability, and the timing and extent to which normal economic and operating conditions resume.

**If we fail to perform our services in accordance with contractual requirements, we could be subject to significant costs or liability and our reputation could be harmed.**

We contract with our customers to provide a wide range of cloud hospital platform services. Such services are complex and subject to contractual requirements, and any mistake or failure to perform in accordance with contractual specifications on our part could result in our customers suing us for breach of contract as well as other adverse consequences. For example, if external network interruptions result in the suspension of our operations of platforms, we may face potential claims and liabilities. Any such mistake or failure to perform in accordance with contractual requirements and standards may harm our reputation and business, result in administrative actions or heavy civil and contractual liabilities, and may deter prospective customers.

**Our financial results may be adversely affected if we underprice our service agreements, overrun our cost estimates or fail to convert out-of-scope work or excessive costs into pricing term amendments.**

Our service agreements are typically fixed-fee contracts. If we initially underprice our solutions for marketing purposes or otherwise to attract customers or overrun our cost estimates, we may not be able to recover our excessive costs, in which case our profit margin and our results of operations may be adversely impacted. Meanwhile, in certain cases, we may be able to apply an amendment to the pricing terms in case of underpricing occurs, but it is uncertain that we will be able to reach an amendment in a timely manner without incurring substantial legal and administration costs, or at all. Where we are not successful in converting out-of-scope work or excessive costs into amendments to pricing terms under our current contracts, our profit margin, results of operations, financial condition and cash flows may be adversely affected.

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## RISK FACTORS

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**The gross profit margins for certain of our businesses are subject to fluctuations.**

We have experienced fluctuations in the gross profit margins of the cloud hospital platform services and smart healthcare products segments. In 2020, 2021 and 2022, the gross profit margin of the cloud hospital platform services was 38.1%, 46.4% and 46.2%, respectively, and the gross profit margin of the smart healthcare products was 19.0%, 9.9% and 8.0%, respectively.

The gross profit margins of these two segments are subject to fluctuations mainly because such businesses are generally project-based, and the gross profit margin of each project under these two segments can vary greatly due to different pricing strategies adopted by us, which is further based on project evaluation on various aspects including, among other things, time and human resources necessary to complete such project, level of competitiveness in the bidding phase, customer relationship, industry norm, and strategic significance.

Accordingly, our gross profit margins of these segments may continue to be subject to fluctuations, and may not be at the levels recorded during the Track Record Period. Failure to manage the relevant risks may adversely affect our overall profitability and results of operations.

**Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse effect on our business, financial condition and results of operations.**

Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, the NHC, the NMPA, the SAMR, Cyberspace Administration of China and the corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as online and offline medical services, retail, sales and online operation of pharmaceutical products and medical devices, Internet advertisement, data privacy and security, environmental protection, value-added telecommunications services, fire control, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses and permits for, the relevant business activities. See "Regulatory Overview." Due to uncertainties in the regulatory environment of the industries in which we operate, there can be no assurance that we have obtained or applied for all the approvals, permits and licenses required for conducting our business in the PRC or would be able to maintain our existing approvals, permits and licenses or obtain any new approvals, permits and licenses if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially and adversely affected. We may also be liable for fines or disgorgement of illegal gains, which may materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.**

Our business operations entail substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to medical disputes, fraud and misconduct, sales and customer services, leases, labor disputes, and control procedures deficiencies, as well as the protection of personal and confidential information of our users and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies relating to advertisement, medical services and taxations, among other things. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgement or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

**We may not have sufficient insurance coverage to cover our business risks.**

We have obtained insurance to cover certain potential risks and liabilities, such as professional liability insurance for the doctors and nurses in connection with their provision of online consultations and Internet home care services over our cloud hospital platforms and product liability insurance for us and our suppliers with respect to products sold on our platforms or smart healthcare devices offered by us. However, we may not be able to acquire any insurance for certain types of risks such as business liability or service disruption insurance for all of our operations in the PRC, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. For example, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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**If we fail to keep up with rapid changes in big data, IoT and other technologies, our future success may be adversely affected.**

We utilize big data, IoT and other advanced data technology tools to access and aggregate data and develop our solutions. The success of our business will depend, in part, on our ability to adapt and respond effectively to the technology development in big data, IoT and other technologies on a timely basis. Application of big data and IoT technology has been popularized, with cutting-edge improvement in the overall knowledge base, algorithms and blockchain technology. The healthcare sector has also started to improve technology-oriented capabilities and leverage innovative applications to reshape the concept of prevention, diagnosis and treatments, such as AI-assisted diagnostics products and healthcare wearables. If we are unable to design products and solutions that catch up with such trends in a timely manner, our market share may shrink and our financial condition and results of operations may be negatively impacted.

If we are unable to develop new solutions that satisfy our customers and provide enhancements and new features for our existing solutions that keep pace with rapid technological and industrial change, our business, financial condition and results of operations could be adversely affected. If our competitors are able to deliver more efficient, convenient and secure solutions and services at lower prices by using new technologies, it could adversely impact our ability to maintain and increase our market share.

Our cloud hospital platforms and solutions may be launched and used on a variety of hardware, and software platforms, and we need to continually modify and enhance our services and solutions to adapt to changes and innovation in these technologies. Any failure of our platforms and solutions to operate effectively with evolving or new platforms and technologies could reduce the demand for our solutions. We are expected to continue to invest substantial resources in research and development to enhance our technology. If we are unable to respond to these changes in a cost-effective manner, our solutions may become less marketable and less competitive or obsolete, and our business, financial condition and results of operations could be adversely affected.

**Our ability to access and aggregate data from various sources could be restricted, which may adversely impact our ability to deliver our services and solutions, our business and results of operations.**

The optimal performance of our solutions depends on the breadth and depth of the data that we access and aggregate. We obtain the right to use the de-identified data through our solutions to and cooperation with medical institutions, local governments, insurers, patients, users and other participants in the healthcare system and we organize such data to establish precise and continuous health records to enable more effective and more efficient delivery of healthcare. Our ability to access and aggregate data is limited by a number of factors, including:

- existing laws, regulations, policies and industry standards on access to healthcare data and new developments therein;

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## RISK FACTORS

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- our ability to secure requisite authorization from the relevant healthcare participants to use the data underlying our solutions in a timely manner;
- our relationship with the relevant healthcare participants;
- user choices, including the mobile users' modifications to privacy settings;
- changes in browser or device functionality and settings, and other new technologies, which could make it easier for mobile users to prevent the placement of cookies or other tracking technologies; and
- interruptions, failures or defects in our data aggregation and storage systems.

Any of the above described limitations on our ability to successfully access and aggregate data could materially impair the performance of our solutions, thereby reducing the attractiveness of our solutions and resulting in an adverse effect on our business and results of operations.

**The technologies that comprise our data intelligence infrastructure may include design or performance defects and may not achieve their intended results, any of which could materially and adversely affect our business, results of operations and financial performance.**

We rely on our big data, IoT and other technologies to deliver our solutions. Our technologies are relatively new, and they may contain design or performance defects that are not detectable even after extensive internal testing and may become apparent only after widespread commercial use. In addition, the data rules and models for quality control may not be comprehensive, and various anomalies in data such as incompleteness and inaccuracy may decrease the results delivered by our solutions. Any defect in those technologies as well as their subsequent alterations and improvements could hinder the effectiveness of our cloud hospital platforms and the reliability of our solutions and discourage existing or potential customers from utilizing our solutions, which would have a material and adverse effect on our reputation, competitiveness and future prospects. In addition, correction of defects or errors could prove to be impossible or impracticable and the costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations. Our software products are subject to product liability laws of China and may also be subject to product liability laws of other jurisdictions where we provide solutions and services. If the technologies underlying our solutions are found to have design or performance defects, we may be liable for product liability claims in China or such other jurisdictions.

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## RISK FACTORS

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**Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and adversely impact our business, as well as materially and adversely affect our financial condition and results of operations.**

We rely heavily on technology, particularly the Internet, to provide high-quality online services. However, our technology operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology or external technology that allows our customers to use our online services and products could materially harm our business and reputation. In particular, our cloud hospital platform services rely on third party network service providers to ensure Internet stability. We have entered agreements with such providers in typical contract term of one year and pay fixed service fees every six months. However, we cannot assure you that the network of our cloud hospital platform services will be remain stable or at all due to factors beyond our control, which will also materially harm our business and reputation.

Although we have employed significant resources to develop security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, we may be unable to anticipate, or implement adequate measures to protect against, these attacks. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to these types of attacks that had materially and adversely affected our business operations. However, there can be no assurance that we would not in the future be subject to such attacks that may result in material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our users, hospitals or other participants of our cloud hospital platforms, or the information infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches may harm our reputation and business, and materially and adversely affect our financial condition and results of operations.



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**The improper use, disclosure or storage of data over our cloud hospital platforms could harm our reputation as well as have a material adverse effect on our business, financial condition, results of operations and prospects.**

Our cloud hospital platforms aggregate a large amount of personal, transaction, demographic and behavioral data. Such information includes, but is not limited to, personal information (such as users' names, cell phone numbers, delivery addresses, age and gender), consultation record, order record and activity log. Accordingly, we face risks inherent in handling large volumes of data and in securing and protecting such data. In particular, we face a number of data-related challenges from consultations, transactions and other activities on our platforms, including:

- protecting the data in and hosted on our system, including against attacks on our system by external parties or improper behavior by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that results in the unauthorized release of our user data could harm our reputation and brand and, consequently, our business and prospects, in addition to exposing us to potential legal liability.

Meanwhile, certain sensitive user information in our business operations is stored with third-party Internet data center providers, whose capacity may need to be expanded as our customer base continues to grow and our customers' demand for services, solution upgrade and operational monitoring continues to increase. We cannot assure you that we will be able to expand the data center facilities to meet the increased infrastructure capacity demand in a timely manner, or on favorable terms, or at all. Furthermore, we do not have sufficient control over the operation of the data center facilities and therefore cannot afford the same level of protection to them as compared to those facilities that are owned by us or located within our premises. The data center facilities leased by us may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, break-ins, sabotage, acts of terrorism, intentional acts of vandalism, operator errors and other similar events or misconducts. Despite precautions taken at these facilities and the disaster recovery plans we maintain, the occurrence of a natural disaster, an act of terrorism or other act of malfeasance, a decision to close the facilities without adequate notice, or other unanticipated problems at these facilities could result in lengthy interruptions in our services and solutions and the loss of data and our business, in which case we may not be able to switch to new data centers or move data from one data center to another on a timely basis, or at all. Our business, financial condition, results of operations and reputation may be materially and adversely affected as a result.

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On November 14, 2021, the CAC published for public comment the Draft CAC Regulations on Internet Data Security. The Draft CAC Regulations on Internet Data Security requires that, among others, a data processor must apply to the CAC for cybersecurity review if its listing in Hong Kong affects or may affect national security. However, such draft regulations do not provide specific interpretations on what constitutes as circumstances which affect or may affect national security. Therefore, we are unable to evaluate whether or not we are required to apply for the cybersecurity review and the potential impact of such regulatory changes on us, if any, at this stage. As advised by our PRC Legal Advisor, the criteria for determining "affect or may affect national security," as stipulated in the Draft CAC Regulations on Internet Data Security, is still subject to uncertainty and further observation and elaboration by the CAC. As the Draft CAC Regulations on Internet Data Security had not come into effect and may subject to changes with uncertainties, any failure to comply with the Draft CAC Regulations on Internet Data Security may subject us to administrative penalties including fines. As of the date of this document, the Draft CAC Regulations on Internet Data Security had not come into effect and we had not received any notices or inquiries from relevant competent authorities requiring us to apply for cybersecurity review.

On December 28, 2021, the CAC announced the Cybersecurity Review Measures, effective from February 15, 2022. Pursuant to the Cybersecurity Review Measures, besides the procurement of network products and services by critical information infrastructure operators, any data processing activities by network platform operators that affects or may affect national security shall be subject to the cybersecurity review as well. In accordance with the Cybersecurity Review Measures, operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市). On February 7, 2022, the Company's PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center, which is delegated by the CAC to accept applications for cybersecurity review. During the consultation, the Company's PRC Legal Advisor informed the staff regarding the Company's proposed [REDACTED] plan and the staff confirmed that currently the Company need not to apply for the cybersecurity review. The Company's PRC Legal Advisor is of the view that the staff consulted and the China Cybersecurity Review Technology and Certification Center are competent to give such confirmations. Based on the understanding of the Cybersecurity Review Measures and the consultation with the CAC mentioned above, our PRC Legal Advisor is of the view that [REDACTED] on the Main Board does not fall within the scope of "[REDACTED] abroad" which triggers cybersecurity review by cyberspace administrations as provided in the Cybersecurity Review Measures currently, because there are currently no official interpretations on the scope of "[REDACTED] aboard" in the above provisions, and Hong Kong is a part of the PRC. On February 8, 2022, the Sole Sponsor's PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center, the staff of which verbally confirmed that, in accordance with the Cybersecurity Review Measures, a [REDACTED] in Hong Kong does not need to apply for the cybersecurity review. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may require us to apply for the cybersecurity review for other reasons.

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In addition, as the Cybersecurity Review Measures are newly promulgated and the Draft CAC Regulations on Internet Data Security are still draft for public comments, the implementation and interpretation of such regulations are subject to changes and further observation by the CAC. As a result, we cannot assure you that the relevant government authorities will not interpret the regulations in ways that may negatively affect us in the future.

The PRC Internet sector has experienced intense scrutiny over data protection and privacy in recent years. In particular, in June 2021, the Beijing Branch of CAC, jointly with other local authorities, issued a notice that they would perform special regulatory actions on apps' collection and use of personal information in Beijing from June to November in 2021. In July 2021, the relevant authorities had an inquiry meeting with us regarding certain issues of "Xixin Health" app, including (i) the lack of notice of the collection methods, purposes and scope of personal information in the users' consent agreement; (ii) the violation of the necessity principle in collection of personal data; and (iii) the lack of ways for users to delete or modify account information. We have rectified each of the issues by implementing measures including revising the users' consent agreement, ceasing to collect certain data in some business scenarios, and launching deletion settings, and have reported such rectification plans to the relevant regulators. As of the date of this document, we have not received any formal notice from the relevant regulators regarding any subsequent administrative actions or comments on our rectification, nor did we receive any penalties as a result. As of the same date, we were not a subject of any review, inquiry, notice, warning, investigation or sanction by the CAC. We have been continuously enhancing our internal controls over data collection and privacy while working closely with the regulators since then. Further, the newly promulgated Personal Data Protection Law of the PRC (中華人民共和國個人信息保護法) has come into effect on November 1, 2021, which sets out specific personal information protection requirements for all personal information processors. See "Regulatory Overview – Regulations Relating to Personal Information or Data Protection." We are continuously analysing and adjusting our personal information processing procedures and methods in accordance with the requirements in the Personal Data Protection Law.

We expect the regulations over data protection and privacy in the PRC to become increasingly more stringent. Due to the complexity and uncertainty of the regulatory environment, we cannot assure you that subsequent laws and regulations on data protection and privacy would not render our operations non-compliant in the future or that we would always be in full compliance with applicable laws, regulations and policies. We may become subject to fines or other penalties or be required to modify the functionalities of our app or, terminate certain operations, if we determine that the requirements to operate in compliance are overly burdensome. In each case, our business, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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**We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.**

We regard our trademarks, copyrights, patents, domain names, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements with our employees and third parties, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, although we are not aware of any copycat websites or mobile apps that attempt to cause confusion or traffic diversion from us at the moment, we may become an attractive target to such attacks in the future because of our brand recognition in the PRC digital healthcare services market.

In addition, there can be no assurance that our intellectual property applications such as patents and trademarks would be approved. Meanwhile, issued patents may not adequately protect our intellectual property, or such patents may be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Furthermore, the unauthorized reproduction of our trademarks could diminish the value of our brand and market reputation as well as competitive advantages.

Moreover, it is often difficult to register, maintain and enforce intellectual property rights in the PRC. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. For example, when a party files a trademark registration application, it is not able to exclude the possibility that a third party may have filed an application to register the same or a similar trademark before it because such application may not have appeared in the relevant trademark authority's database. If we receive objections from third parties against our trademark registration applications, and the trademark authority grants rulings in favor of any third party, we may be prohibited from using the relevant trademarks in our business operations, and, as a result, we may need to change the name and logo of our mobile app, which may have an adverse effect on our business.

Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the PRC. Policing any unauthorized use of our intellectual property is difficult and costly and the steps that we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. There can be no assurance that we would prevail in such litigation, and even if we manage to prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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## RISK FACTORS

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**We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.**

We cannot be certain that our operations or any aspects of our business do not or would not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our products, services or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. There can be no assurance that holders of patents purportedly relating to some aspect of our cloud hospital platforms or business, if any such holders exist, would not seek to enforce such patents against us in the PRC. Furthermore, the application and interpretation of PRC patent laws and the procedures and standards for granting patents in the PRC are still evolving and are uncertain, and there can be no assurance that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, which may materially and adversely affect our business, financial condition and results of operations.

**We may be subject to liability for content available on our cloud hospital platforms that is alleged to be factually incorrect, socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.**

Under PRC laws, we are required to monitor our mobile interfaces for items or content deemed to be factually incorrect, socially destabilizing, obscene, superstitious or defamatory, as well as content, products or services that are illegal to sell online, and promptly take appropriate actions with respect to such content, products or services. We may also be subject to potential liabilities for any unlawful actions of our customers or users of our mobile interfaces or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our mobile interfaces in the PRC.

In addition, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, tort (including personal injury), other unlawful activity or other theories and claims based on the nature and content of information posted on our mobile portals, including news feeds and product reviews, by our participants such as our users and suppliers, among others. Regardless of the outcome of such a dispute or lawsuit, we may suffer from negative publicity and reputational damage as a result, which may adversely affect our business.

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## RISK FACTORS

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**We are subject to limitations in promoting healthcare-related services and products.**

We are subject to certain limitations in promoting healthcare-related services and products. The doctors, nurses and other relevant parties in the provision of our Internet medical services and health management services through our cloud hospital platforms have to comply with rules and regulations that restrict the promotion or dissemination of information about the professional healthcare services and practice provided by licensed doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors and nurses to customers or potential customers. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

Furthermore, there can be no assurance that our existing practices of monitoring our information dissemination process and publication would continue to be effective. Should there be any change in the relevant rules and regulations, or change of interpretation thereof, we, the doctors, nurses and other relevant third parties over our cloud hospital platforms may be regarded as breaching the relevant rules and regulations and may be subject to regulatory penalties or disciplinary actions, which may materially and adversely affect our business and reputation.

**If we fail to maintain adequate internal controls, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business.**

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

**Our performance depends on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.**

Our future success is significantly dependent upon the continued service of our management and key personnel. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, therefore materially and adversely affecting our business, financial condition, results of operations and prospects.

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## RISK FACTORS

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Meanwhile, the size of our cloud hospital platforms and the scope of our solutions may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels. Competition for talent in the PRC digital healthcare services market is intense, and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals would choose to join or continue working for us.

Our key employees are subject to confidentiality terms that prohibit them from disclosing company confidential and proprietary information, but they are not subject to non-competition arrangements. However, we cannot assure you that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

**We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties.**

Fraud or other misconduct by our employees, such as unauthorized business transactions, bribery and breach of our internal policies and procedures, or by third parties, such as breach of law, may be difficult to detect or prevent. It could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. This may also impair our ability to effectively attract prospective users, develop customer loyalty, obtain financing on favorable terms and conduct other business activities.

In particular, we may face risks with respect to fictitious or other fraudulent activities over our cloud hospital platforms. For example, our users may engage in fictitious transactions by submitting false prescription to purchase prescription drugs on our platforms. Users may also provide false information to medical professional on our platforms in order to obtain prescriptions that they are not supposed to get. Such fictitious transactions and fraudulent conduct may subject us to lawsuits, regulatory investigations, fines and penalties against us.

Moreover, illegal, fraudulent or collusive activities by our employees, such as fraud, bribery or corruption, could also subject us to liability or negative publicity or cause losses. Negative publicity and user sentiment generated as a result of actual or alleged fraudulent or deceptive conduct on our cloud hospital platforms or by our employees would severely diminish our users' confidence in us, reduce our ability to attract new or retain current users and other participants on our platforms, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

**The wide variety of payment methods that we accept subjects us to third-party payment processing related risks.**

We accept payments using a variety of methods, which includes online payments through various third-party online payment platforms such as Alipay, WeChat Pay and UnionPay. We may be charged interchange and other fees for certain payment methods, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and cash on delivery options. We are also subject to various rules, regulations and requirements governing electronic funds transfers in China, which could change or be reinterpreted to make it difficult or impossible for us to comply with. For example, in November 2017, the PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard fund security and information security. As the laws and regulations in this area are still evolving and subject to interpretation, there can be no assurance that the PBOC or other governmental authorities will not scrutinize our cooperation with third-party online payment service providers. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our users, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

**Our business and prospects depend on our ability to build our brand and reputation, which may not be effective, and our brand and reputation could be harmed by negative publicity with respect to us, our services and operations, our management or our business partners.**

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses



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## RISK FACTORS

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in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, negative publicity about us, our services and operations, our management or our business partners may adversely affect our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

### **Failure in full compliance with Social Insurance Law and the Regulations on Management of Housing Fund.**

Pursuant to the PRC laws and regulations, we are required to pay the social insurance and housing provident fund for our employees based on employment relationship between the employer and the employee as evidenced by labor contracts. During the Track Record Period, we were not in strict compliance with the requisite requirements by engaging third-party human resource agencies and made contributions to social insurance and housing provident funds for some of our employees through such agencies. As advised by our PRC Legal Advisor, the current PRC laws and regulations do not expressly specify penalties thereof. However, we cannot assure you that we will not be ordered to rectify such non-compliance incidents or subject to penalties imposed by the relevant PRC authorities as a result of such non-compliance incidents. There can be no assurance that such agencies will pay the social insurance housing funds for the relevant employees in full and that there will not be any employee complaint against us in relation to such agencies' failure to make full social insurance and housing provident fund contributions. Any such complaints, orders or penalties may have an adverse effect on our financial conditional and results of operations.

### **We have built a close business relationship with Neusoft Corporation, and our interests may not be aligned with those of Neusoft Corporation.**

We have built a close business relationship with Neusoft Corporation, one of our substantial shareholders and connected persons. During the Track Record Period, we provided health management services, chronic disease management services to Neusoft Corporation and its associates. In the meantime, we, from time to time, entered into property leasing and IT corporation transactions with Neusoft Corporation. We expect these connected transactions to continue immediately following the [REDACTED]. For further details, please see "Connected Transactions."

Our interests may not be aligned with those of Neusoft Corporation in a number of areas relating to our ongoing relationships. Neusoft Corporation may from time to time make strategic decisions that they believe are in the best interests of their business and shareholders as a whole. These decisions may be different from the decisions that we would have made on our own, and may not necessarily coincide with our interests and the interests of our other Shareholders.

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## RISK FACTORS

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**We may face penalties for the non-registration of our lease agreements in China, and challenges from third parties or government authorities of our certain leased properties in China may force us to relocate and thus incur additional cost.**

According to applicable PRC administrative regulations, the lessor and the lessee to a lease agreement are required to file the lease agreement with relevant government authorities within 30 days after the execution of the lease agreement. As of the Latest Practicable Date, we had not filed all of our lease agreements for the properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease, and from RMB27,000 to RMB270,000 for all non-registered leases in aggregate.

As of the Latest Practicable Date, among all 27 leased properties, eight for business and operation uses, for example, two for medical institutions, are not in line with their prescribed usage. In the event that our current use of these properties are challenged as not in compliance with the prescribed usage, we may not be able to continue to use such leased properties and may incur additional expenses for relocation. Given that such leased properties are located in different regions and six of them are used only for offices, and that we are able to find alternatives within a relatively short period of time, our PRC Legal Advisor is of the view that the risk of a large scale eviction to an extent that would have a material adverse effect on us is relatively low.

If we are challenged by third parties or government authorities for any of the circumstances stated above, we may be subject to fines and we may be forced to relocate, as the case may be, and as a result, our financial condition and results of operations may be adversely affected.

**We rely on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm our reputation and adversely affect our business.**

Certain key operating metrics in this document are calculated using our internal data that have not been independently verified by third parties. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our key operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance.

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## RISK FACTORS

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Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. If third parties do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and third parties may be less willing to allocate their resources or spending to us, which could adversely affect our business and operating results.

### **The government grants that we enjoy in the PRC may be altered or terminated.**

During the Track Record Period, we enjoy financial support received from local governments relating to online healthcare service project funds and awards for technological innovation enterprises. Our government grants were RMB32.3 million, RMB13.7 million and RMB17.8 million, respectively, in 2020, 2021 and 2022. For details, see “Financial Information – Consolidated Statements of Comprehensive Income – Other Income” and note 6 to the Accountant’s Report in Appendix I to this document. There can be no assurance that the policies on government grants will not change or that any government grants we enjoy or will be entitled to enjoy will not be terminated. If any change or termination of government grants occurs, our other income in the future may be adversely affected, thereby adversely affecting our results of operations and financial condition.

### **We are subject to credit risk in respect of our trade receivables.**

Our trade receivables represent amounts due from third-party customers for services performed in the ordinary course of business. The carrying amount of trade receivables balance of RMB124.4 million, RMB168.0 million and RMB151.1 million, respectively, as of December 31, 2020, 2021 and 2022, represented our maximum exposure as of the respective dates to credit risk in relation to trade receivables. In 2020, 2021 and 2022, we recognized impairment losses on trade receivables of RMB15.6 million, RMB22.1 million, and RMB28.1 million, respectively, through profit or loss. We typically grant credit terms of up to 90 days to our customers. However, there can be no assurance that the collection of amounts due from our customers will be timely. In addition, as we focus on customers in the public sector in the cloud hospital platform services and smart healthcare products segments, we are also exposed to the risk of any payment delay from them. This might result in slow turnover of our trade receivables and restrict our working capital resources. See “– Risks Relating to Our Business and Industry – We are subject to the risk of payment delays from public sector customers” and “Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables.” If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be materially and adversely affected.

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## RISK FACTORS

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**Our results of operations may be affected by the share of results of an associate.**

During the Track Record Period, we had certain investments accounted for using the equity method, amounting to RMB101.3 million, RMB196.7 million and RMB191.9 million, respectively, as of December 31, 2020, 2021 and 2022. Such investments accounted for using the equity method represent our investments in associates. Our results of operations may be adversely affected if our associates fail to turn profitable in the future, which is subject to a number of factors beyond our control. As of December 31, 2020, 2021 and 2022, we recognized share of loss from investments in associates of RMB3.9 million, RMB4.1 million and RMB4.8 million, respectively. See note 12 to the Accountant’s Report in Appendix I to this document for details. We may also need to recognize impairment losses if the carrying amount of our investment in an associate exceeds its recoverable amount. In addition, our investments in associates may not be as liquid as other investment products, and there can be no assurance that we would receive any dividend from such associates in the future or at all. This may adversely affect our liquidity position.

**If we fail to fulfil our obligations under our contracts with customers, our results of operations and financial condition may be adversely affected.**

As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB41.6 million, RMB50.7 million and RMB51.8 million, respectively, which primarily represent advance payments received from our customers upon which the performance obligations have been established while the underlying services are yet to be provided by us. See note 5 to the Accountant’s Report in Appendix I to this document for details.

If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advance payments we have received, which may adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, our relationship with such customers may worsen, which may also affect our reputation and results of operations in the future.

**We recorded net gains or losses on disposal of subsidiaries or associates during the Track Record Period, which were non-recurring in nature.**

We recorded net gains on disposal of subsidiaries or associates of RMB17.2 million and RMB8.5 million in 2021 and 2022. In 2020, we recorded net losses on disposal of subsidiaries or associates of RMB5.0 million. Such gains and losses were recognized in relation to our disposal of subsidiaries or associates in the years and are therefore non-recurring in nature. We may or may not dispose our subsidiaries and/or associates in the future and our results of operations and financial condition may be adversely affected as a result.

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## RISK FACTORS

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### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.**

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet and other related businesses, such as the provision of medical services and Internet information.

We are an exempted company incorporated under the laws of the Cayman Islands, and Xikang WFOE, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct a portion of our business in the PRC through our Consolidated Affiliated Entities based on the Contractual Arrangements. For details of the Contractual Arrangements, See "Contractual Arrangements – Our Contractual Arrangements."

Our PRC Legal Advisor is of the opinion that (i) the ownership structure of our Consolidated Affiliated Entities does not violate mandatory provisions of PRC laws and administrative regulations promulgated by the State Counsel currently in effect, (ii) except for certain clauses regarding the liquidation committee and the dispute resolution, see "– We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws," the Contractual Arrangements, taken individually or collectively, are valid, legally binding and enforceable against each party of such agreements in accordance with their terms, and (iii) each of the Contractual Arrangements entered into by the Group does not violate mandatory provisions of the Civil Code of the PRC (《中華人民共和國民法典》) or fall within any of the circumstances under which a contract may become null and void pursuant to the Civil Code of the PRC. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government determines that we are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MIIT and the NHC, would have broad discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;

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## RISK FACTORS

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- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or the Consolidated Affiliated Entities may not be able to comply;
- requiring us or the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance the business and operations of our Onshore Holdcos and their respective subsidiaries; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate the Consolidated Affiliated Entities into our consolidated financial statements in accordance with HKFRS.

On February 17, 2023, the China Securities Regulatory Commission (中國證券監督管理委員會) (the “CSRC”) released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC. The Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

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## RISK FACTORS

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On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (1) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if such domestic companies complete the overseas listing within such six-month transition period and there is no re-hearing required by the Stock Exchange during such period, they are not subject to the filing procedure with respect to such overseas listing; and (2) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of such companies if they duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

If we are subject to the filing procedure under the Trial Measures for our future fund raising activities and other major events, and we fail to complete the filing with the CSRC in a timely manner, or at all, due to our adoption of Contractual Arrangements, we may need to restructure our corporate structure and unwind our Contractual Arrangements for the purpose of fulfilling the filing requirement, which may cause additional costs and is time-consuming, and could materially and adversely affect our business, financial condition, results of operations, our ability to raise funds and prospects. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund raising activities if any. However, given that the Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership, and the Consolidated Affiliated Entities may fail to perform their obligations under our Contractual Arrangements.**

Due to the PRC restrictions or prohibitions on foreign ownership of Internet and medical businesses in the PRC, we operate a portion of our business in the PRC through our Consolidated Affiliated Entities, in which we have no ownership interest. We rely on a series of contractual arrangements with the Onshore Holdcos or their respective shareholders to control and operate their business. These contractual arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See “Contractual Arrangements.”

These Consolidated Affiliated Entities may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership. If the Onshore Holdcos or their respective shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of the Contractual Arrangements are governed by and interpreted in accordance with

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PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the outcome of arbitration or litigation. Such uncertainties could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and may lose control over the assets owned by the Consolidated Affiliated Entities. As a result, we may be unable to consolidate the Consolidated Affiliated Entities in our consolidated financial statements, and our ability to conduct our business may be adversely affected.

**We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.**

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. If the Consolidated Affiliated Entities undergo an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of their respective assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by the Consolidated Affiliated Entities to the Registered Shareholder under the applicable service agreement.

Under the Contractual Arrangements, the Registered Shareholders covenanted that they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in the Onshore Holdcos, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreements without the written consent of Xikang WFOE. In addition, the Registered Shareholders covenanted that they shall not request the Onshore Holdcos to in any manner distribute profit or dividends, raise such relevant shareholders' resolution or vote in favor of any such relevant shareholders' resolution without the prior written consent of Xikang WFOE. In the event that they receive any income, profit distribution or dividend, except as otherwise determined by us, they shall promptly transfer or pay, as part of the services fee under the Exclusive Management Consultancy and Business Cooperation Agreements, such income, profit distribution or dividend to us or any other person designated by us to the extent permitted under applicable PRC laws. In the event that the Registered Shareholders breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding is uncertain.



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

We have designated individuals who are PRC nationals to be the Registered Shareholders of the Consolidated Affiliated Entities. These individuals may have conflicts of interest with our Shareholders. As of the Latest Practicable Date, our Registered Shareholders are Ms. Zong Wenhong and Ms. Wang Shuli, and both Onshore Holdcos are held by Ms. Zong Wenhong as to 80% and Ms. Wang Shuli as to 20%. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our Company as a whole and not to place them in a position in which there is a conflict between their duties to our Company and their personal interests. On the other hand, PRC laws also provide that a director or a senior manager owes a loyalty and fiduciary duty to the company in which he or she holds such position. Although that pursuant to the Exclusive Option Agreements, the Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Xikang WFOE or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of our Onshore Holdcos, we cannot assure you that when conflicts arise, Registered Shareholders of the Consolidated Affiliated Entities will act in the best interest of our Shareholders or that conflicts will be resolved in our favor. In addition, the Registered Shareholders of the Consolidated Affiliated Entities have limited shareholding interests in our Company. Ms. Zong Wenhong is indirectly interested in approximately [REDACTED]% of the equity interests in our Company immediately after the [REDACTED] presuming the Assumptions. Neither Ms. Zong Wenhong nor Ms. Wang Shuli owns any direct interest in our Company. As such, the interests of the Registered Shareholders may not align with the interests of the Shareholders in the Company and it is possible that these individuals may breach or cause the Consolidated Affiliated Entities to breach the existing Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

In addition, although the equity pledge agreement entered into by and between Xikang WFOE, the Onshore Holdcos and their shareholders provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements, it is possible that a PRC court could take the position that the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements represent the full amounts of the collateral that have been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements could be deemed unsecured debts by the PRC court, which take the last priority among creditors.

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**We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.**

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests, assets or properties of the Onshore Holdcos, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of the Onshore Holdcos. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim relief to a party when requested for the purpose of preserving the assets and properties or enforcement measures, subject to the requirements under the PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Onshore Holdcos in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in the Onshore Holdcos in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by the Onshore Holdcos and/or its shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Onshore Holdcos, which could materially and adversely affect our ability to conduct our business.

**If we exercise the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.**

Pursuant to the Contractual Arrangements, Xikang WFOE or its designated person(s) has the irrevocable and exclusive right to purchase all or any part of the equity interests in the Onshore Holdcos from its shareholders at any time and from time to time in Xikang WFOE's absolute discretion to the extent permitted by PRC laws. The consideration shall be the higher of a nominal price or the lowest price as permitted under applicable PRC laws.

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The equity transfer may be subject to the approvals from, or filings with, the MOFCOM, the MIIT, the SAMR and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The Registered Shareholders should return the equity transfer price amount to Xikang WFOE under the Contractual Arrangements, if such amount is above a nominal price. The amount to be received by the Xikang WFOE under the Contractual Arrangements may also be subject to enterprise income tax, and such tax amounts could be substantial.

### **Our current corporate structure and business operations may be affected by the Foreign Investment Law.**

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, uncertainties exist in relation to its interpretation and implementation. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for Foreign Investment Access jointly promulgated by MOFCOM, and the NDRC, and took effect in January 2022. The Foreign Investment Law provides that foreign-invested entities are not allowed to operate in “prohibited” industries and their operating in “restricted” industries shall satisfy certain conditions and will require market entry clearance and other approvals from relevant PRC government authorities. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law (the “FIL Interpretation”), which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the negative list. If our control over our VIEs through contractual arrangements are deemed as foreign investment in the future, and any business of our VIEs is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our VIE may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

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Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

**Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entities do not represent an arms-length price and adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

### RISKS RELATING TO THE PRC

**Economic, political and social conditions and government policies in the PRC could affect our business and prospects.**

A substantial majority of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for about four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures

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benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the digital healthcare services market in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

**Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.**

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries and Consolidated Affiliated Entities are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

In particular, PRC laws and regulations concerning the digital healthcare services market are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating the digital healthcare services market in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to digital healthcare. Moreover, developments in the

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digital healthcare services market may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict digital healthcare platforms like us, which could materially and adversely affect our business and operations.

**We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with this [REDACTED], future capital raising activities and future major events.**

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC. If a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if such domestic companies complete the overseas listing within such six-month transition period, they are not subject to the filing procedure with respect to such overseas listing. See “Regulations–Regulations Relating to Overseas Listing.” However, since the Trial Measures was newly promulgated, the interpretation, application and enforcement of Trial Measures remain unclear.

If it is determined that we are subject to any filing or other authorization or requirements of the CSRC or other PRC governmental authorities for future fund raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we could be subject to sanctions by the CSRC or other PRC regulators authorities. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund raising activities if any. Any uncertainties or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and [REDACTED] of the Shares.

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**The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (the "M&A Rules"), adopted by six PRC regulatory agencies in 2006 and amended in 2009 by the MOFCOM, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

**We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or SAT, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having

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its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us and gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax on the dividends received by our Shareholders from us may be withheld at source. It is unclear whether non-PRC Shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

### **Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of Renminbi against the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government’s policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the U.S. dollar or other currencies in the future. In addition, the People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. We experienced net foreign exchange losses of RMB19.6 million and RMB13.0 million in 2020 and 2022, respectively, and net foreign exchange gains of RMB1.7 million in 2021, which resulted from our holding of U.S. dollars arising from our U.S. dollar denominated assets and liabilities. In 2020, 2021 and 2022, we also recognized currency translation differences of our Company in our other comprehensive income of negative RMB2.0 million, negative RMB0.1 million and RMB0.8 million, respectively, which represented currency translation differences arising from the consolidation of our subsidiaries’ financial statements prepared in currencies different than Renminbi. We are subject to the risk relating to volatility in future exchange rate and PRC government’s controls on currency conversion.



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The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the Hong Kong dollar may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

**The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.**

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments indirectly from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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**PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.**

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the filing, reporting or registration with relevant governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) Xikang WFOE may not procure foreign loans which exceed the statutory limits. Any medium or long term loan to be provided by us to our Consolidated Affiliated Entities must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the [REDACTED] of this [REDACTED] and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use except for real estate enterprises. On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, which, among other things, allows all foreign-invested enterprises to use Renminbi converted from its foreign exchange capitals for expenditure for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. On December 31, 2020, the People's Bank of China, SAFE and other government authorities jointly issued the Circular on Further Optimizing Cross-border Renminbi Policies to Support the Stabilization of Foreign Trade and Foreign Investment, or the SAFE Circular 330, which, among other things, reiterates the above provisions in Circular 28. However, since the Circular 28 and Circular 330 are relevantly new, it is unclear how SAFE and other government authorities as well as competent banks will carry this out in practice. The above SAFE circulars may significantly limit our ability to transfer to and use in China the net [REDACTED] from this [REDACTED], which may adversely affect our business, financial condition and results of operations.

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**The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.**

On February 3, 2015, SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (the "Circular 7"), which heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise (the "PRC Taxable Assets") and stipulated that tax authorities in the PRC are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of an equity interest in an overseas holding company which directly or indirectly hold the PRC Taxable Assets, by disregarding the existence of the overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been made for the purpose of evading PRC enterprises income tax and without any reasonable commercial purpose.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions, future acquisitions or sale of the shares of our offshore subsidiaries, where non-resident enterprise transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

**We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC regulations.**

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014 that requires PRC residents or PRC entities (the "Domestic Residents") to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing, with assets or equity interests of onshore companies or offshore assets or interests held by the Domestic Residents, referred to in SAFE Circular 37 as a "special purpose vehicle."

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In addition, SAFE Circular 37 further requires amendment to the previously filed registration with the local branch of the SAFE, with respect to that special purpose vehicle, to reflect any material change including any material change of the special purpose vehicle's Domestic Resident shareholder, name of the special purpose vehicle, term of operation, or any increase or reduction of the special purpose vehicle's registered capital, share transfer or swap, and merger or division. Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, which were promulgated on 13 February 2015 and implemented on 1 June 2015, the foreign exchange registration for establishing or taking control of a special purpose vehicle by Domestic Residents is required to be conducted with a qualified bank, instead of the local SAFE branch.

If our shareholders or beneficial owners who are Domestic Residents do not complete their registration or change of the registration with the local SAFE branches or qualified local banks, or fail to obtain the approval or complete the filing with the NDRC or the MOFCOM or their local counterparts relating to the overseas investment activities, as applicable, Xikang WFOE may be imposed penalties, restrictions on its ability to distribute dividends to us, and restrictions on our ability to inject additional capital into Xikang WFOE.

We have used our best efforts to notify Domestic Residents who directly or indirectly hold shares in our Company, and who are known to us as being Domestic Residents to timely complete the required filings and registrations. However, we cannot assure you that all of our Domestic Residents who directly or indirectly hold shares in our Company will comply with the SAFE, the NDRC and the MOFCOM registration or filing requirements, including updating their registration or filing pursuant to relevant requirements or registration by future beneficial owners who are Domestic Residents, which is out of our control. Any failure by Domestic Residents who directly or indirectly hold shares in our Company to make registration or filing in accordance with relevant regulations or update their filing or registration, or the failure of future beneficial owners who are Domestic Residents to comply with the registration or filing requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our PRC subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our shareholders.

### **Certain judgments obtained against us by our Shareholders may not be enforceable.**

We are an exempted company incorporated in the Cayman Islands and substantially all of our current operations are conducted in China as well. In addition, substantially all of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

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**We may grant employees share options, which may materially impact our results of operations in the future.**

We had recorded share-based compensation expenses of RMB34.0 million, RMB153.6 million and RMB79.2 million in 2020, 2021 and 2022, mainly in relation to the Pre-[REDACTED] SOS Options granted to our employees. We adopted the Pre-[REDACTED] SOS on March 29, 2019 to achieve strategic goals and fuel the development of our Company by providing our Directors, senior management and employees with the opportunity to acquire proprietary interests in our Company. As of the Latest Practicable Date, the Pre-[REDACTED] SOS Options in an aggregate of 16,320,000 Shares (or [81,600,000] Shares immediately following the Share Subdivision) have been granted to the Pre-[REDACTED] SOS Grantees (as defined below) pursuant to the Pre-[REDACTED] SOS. Further, in order to provide incentives and rewards to participants for their contributions to, and continuing efforts to promote the interest of, the Company, we have adopted the Post-[REDACTED] SOS as approved by our Board on May 27, 2021. See "Appendix IV – Statutory and general information – D. Share Option Schemes" for further details. The grant of share options or any issue of award shares would have an adverse impact on our profits. Moreover, any exercise of the share options we have granted or will grant in the future or any issue of award shares will increase the number of our Shares and result in a dilution in the shareholding of the existing Shareholders in our Company. Any sale of additional Shares acquired upon the exercise of the share options or any issue of award shares may adversely affect the [REDACTED] of our Shares.

### **RISKS RELATING TO THE [REDACTED]**

**There has been no prior public market for the Shares and the liquidity and market price of our Shares may be volatile.**

Prior to completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations among our Company and the [REDACTED] and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

**The trading price of the Shares may be volatile, which could result in substantial losses to you.**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant

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price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the [REDACTED] performance of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and volatility of our Shares, regardless of our actual operating performance.

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

As the [REDACTED] of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

**There will be a time gap between [REDACTED] and [REDACTED] of our Shares, and the price of our Shares when [REDACTED] begins could be lower than the [REDACTED].**

The [REDACTED] of our Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be five Business Days after the [REDACTED]. As a result, investors may not be able to sell or otherwise [REDACTED] the Shares before the commencement of [REDACTED]. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

**The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial Shareholders, could adversely affect the market price of our Shares.**

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

**There can be no assurance if and when we will pay dividends in the future.**

Distribution of dividends will be at the discretion of our Board and subject to our Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. See "Financial Information – Dividend." As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

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**The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.**

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Islands companies laws is set out in Appendix III to this document.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this document.**

This document, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to the digital healthcare services market. Such information and statistics have been derived from the report prepared by Frost & Sullivan, which was commissioned by us, various official government publications and other publicly available publications. In particular, we engaged Frost & Sullivan, as the industry expert, to prepare an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

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In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our core business operations are principally located, managed and conducted in the PRC and will continue to be based in the PRC, our executive Director and senior management members are and will continue to be based in the PRC.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted] a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures in order to achieve regular communication with the Stock Exchange:

- (a) The Company has appointed Ms. Zong Wenhong, an executive Director and the chief executive officer of the Company, and Mr. Wong Wai Chiu, one of the joint company secretaries of the Company, as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. They will act as the Company’s principal channel of communication with the Stock Exchange. Each of them has confirmed that she or he can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. The Company has provided contact details of the two Authorized Representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any change in the Company’s authorized representatives. Ms. Zong have confirmed that she possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) Our Authorized Representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matters;
- (c) All the Directors who are not ordinarily resident in Hong Kong are able to apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;



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- (d) Our Company has appointed Somerley Capital Limited as its compliance advisor (the “**Compliance Advisor**”) in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide our Company with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the [REDACTED] to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [REDACTED];
- (e) Meetings between the Stock Exchange and our Directors could be arranged through our Authorized Representatives or our Company’s Compliance advisor, or directly with our Directors within a reasonable period. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives, the Directors and/or the Compliance advisor of the Company in accordance with the Listing Rules.

**WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, a new applicant for listing on the Stock Exchange must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

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- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Wang Shuli, and Mr. Wong, as the joint company secretaries of our Company. Ms. Wang is currently the vice president and chief financial officer of the Company. She has extensive experience in financial and business management and corporate governance matters, as well as a sound understanding of the daily operations, internal administration and financial management of our Group. By virtue of Ms. Wang's experience and familiarity with our Group, our Company believe Ms. Wang is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company. Further, given that our main operation is in the PRC, we believe that it would be in the best interest of our Company and our corporate governance to have Ms. Wang with the relevant background and experience in the PRC to act as our joint company secretary. Ms. Wang presently does not possess the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on her own. Therefore, our Company has appointed Mr. Wong, a fellow member of Hong Kong Institute of Chartered Secretaries, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and provide assistance to Ms. Wang for an initial period of three years from the [REDACTED]. For further details about Ms. Wang's and Mr. Wong's qualifications and experience, please see "Directors and Senior Management" in this document.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

- (a) Ms. Wang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;
- (b) Both Ms. Wang and Mr. Wong have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (c) Mr. Wong will assist Ms. Wang to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;

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- (d) Mr. Wong will communicate regularly with Ms. Wang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. Wong will work closely with, and provide assistance for, Ms. Wang in the discharge of her duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;
- (e) Upon expiry of Ms. Wang's initial term of appointment as the company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Wang's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules;
- (f) The Company has appointed Somerley Capital Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the [REDACTED] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the date of [REDACTED], or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company and Ms. Wang as to the compliance with the Listing Rules and all other applicable laws and regulations; and
- (g) The waiver can be revoked with immediate effect if there are material breaches of the Listing Rules by the Company.

Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Wang, having had the benefit of Mr. Wong's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

**WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS**

We have entered into, and are expected to continue certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers from strict compliance with (where applicable) (i) the announcement requirement, (ii) annual reporting requirement, (iii) independent Shareholders' approval requirement, (iv) the annual cap requirement and (v) the requirement of limiting the term of the continuing connected transactions to three years or less under Chapter 14A of the Listing Rules. For further details in this respect, see "Connected Transactions" in this document.

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### WAIVER AND EXEMPTION IN RELATION TO THE PRE-[REDACTED] SOS

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document is required to include, among other things, details of the number, description, and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it was given, and their potential dilution effect on the shareholding upon [REDACTED] as well as the impact on the earnings per share arising from the exercise of such outstanding options (the “**Share Option Disclosure Requirements**”).

Under our Pre-[REDACTED] SOS, as of the Latest Practicable Date, we have granted options to 428 persons (“**Grantees**” and each a “**Grantee**”), comprising of: (a) one Director, three members of senior management of the Company; and (b) 424 other participants (including, among others, employees and supervisors of our Group) who are not our Directors or members of senior management of the Company, to subscribe for an aggregate of 16,320,000 underlying Shares (or [81,600,000] Shares immediately following the Share Subdivision) on the terms summarised in “Statutory and General Information – D. Share Option Schemes – 1. Pre-[REDACTED] SOS” of Appendix IV to this document. All the remaining Pre-[REDACTED] SOS Options will be granted prior to the [REDACTED].

We have applied for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions), on the grounds that the waiver and exemption approval would not prejudice the interests of the investing public and that strict compliance with the Share Option Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 428 Grantees are involved, strict compliance with the Share Option Disclosure Requirements, including setting out full details of the Grantees (including names, addresses and particulars of the granted options) on an individual basis would require substantial number of pages of additional disclosure and would be unduly burdensome for our Company in light of the significant increase in cost and timing for information compilation, and preparing of this document;

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- (b) key information of the options granted under the Pre-[REDACTED] SOS to our Director and members of senior management of our Company has already been disclosed in "Statutory and General Information – D. Share Option Schemes – 1. Pre-[REDACTED] SOS" in Appendix IV to this document;
- (c) the key information mentioned in (b) above and set out in "Statutory and General Information – D. Share Option Schemes – 1. Pre-[REDACTED] SOS" in Appendix IV to this document is sufficient to provide potential investors with information, to aid their investment decision making process, to make an informed assessment of the potential dilution effect and impact on earnings per Share underlying the options granted under the Pre-[REDACTED] SOS;
- (d) the grant and exercise in full of the options granted under the Pre-[REDACTED] SOS will not cause any material adverse impact on the financial positions of our Company; and
- (e) the lack of full compliance of the Share Option Disclosure Requirements would not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and would not prejudice the interest of the investing public.

The Stock Exchange [has granted] to us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules, on the condition that:

- (a) the following information are disclosed in this document:
  - (i) on individual basis, full details of all options granted by our Company under the Pre-[REDACTED] SOS to each of our Director and members of senior management of our Company, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules;
  - (ii) in respect of the options granted by our Company to the Grantees other than those referred to in (a)(i) above:
    1. the aggregate number of Grantees;
    2. the number of Shares underlying the options granted;
    3. the consideration paid for the options granted;
    4. the exercise period of each option granted; and
    5. the exercise price for the options granted;

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- (iii) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the Pre-[REDACTED] SOS;
  - (iv) the aggregate number of Shares underlying all outstanding options granted by our Company under the Pre-[REDACTED] SOS and the percentage of our Company's issued share capital of which this represents;
  - (v) a summary of the material terms of the Pre-[REDACTED] SOS;
  - (vi) the particulars of the waiver;
- (b) a list of all the Grantees (including the persons referred to in (a)(i) above), containing all the details required by the Share Option Disclosure Requirements be made available for public inspection in accordance with the details set out in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this document; and
- (c) the SFC grants us a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions).

The SFC [has granted] a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) on the condition that:

- (a) the following information are disclosed in this document:
  - (i) on an individual basis, full details of all options granted by our Company under the Pre-[REDACTED] SOS to each of our Director and members of senior management of our Company, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions);
  - (ii) in respect of the options granted by our Company to the Grantees other than those referred to in (a)(i) above:
    1. the aggregate number of Grantees;
    2. the number of Shares underlying the options granted;
    3. the consideration paid for the options granted;

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4. the exercise period of each option granted; and
  5. the exercise price for the options granted;
- (iii) the particulars of the exemption;
- (b) a list of all the Grantees (including the persons referred to in (a)(i) above), containing all the details required by the Share Option Disclosure Requirements be made available for public inspection in accordance with the details set out in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this document; and
- (c) this document be issued on or before [REDACTED].

For further details of the Pre-[REDACTED] SOS, see "Statutory and General Information – D. Share Option Schemes – 1. Pre-[REDACTED] SOS" in Appendix IV to this document.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]



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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

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*For further information on our Directors, see "Directors and Senior Management" in this document.*

### DIRECTORS

| Name | Address | Nationality |
|------|---------|-------------|
|------|---------|-------------|

#### Chairperson and non-executive Director

|                     |   |         |
|---------------------|---|---------|
| Dr. LIU Jiren (劉積仁) | No. 1-1-1<br>15-1 Wanghu Road<br>Heping District<br>Shenyang<br>PRC | Chinese |
|---------------------|---|---------|

#### Executive Director

|                        |  |         |
|------------------------|--|---------|
| Ms. ZONG Wenhong (宗文紅) | Room 2002, Building 1<br>555 Furongjiang Road<br>Changning District<br>Shanghai<br>PRC | Chinese |
|------------------------|--|---------|

#### Non-executive Directors

|                      |   |         |
|----------------------|---|---------|
| Ms. LU Zhaoxia (盧朝霞) | No. 3-7-2<br>66 Wenti West Road<br>Heping District<br>Shenyang<br>PRC | Chinese |
|----------------------|---|---------|

|                   |   |         |
|-------------------|---|---------|
| Dr. WANG Nan (王楠) | No. 1-3-2<br>13 Wanghu Road<br>Heping District<br>Shenyang<br>PRC | Chinese |
|-------------------|---|---------|

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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| <b>Name</b>             | <b>Address</b>   | <b>Nationality</b> |
|-------------------------|--|--------------------|
| Mr. PU Chengchuan (蒲成川) | No. 602, Unit 5<br>Building 11, Block 10<br>Heping Street, Chaoyang District<br>Beijing<br>PRC | Chinese            |
| Dr. CHEN Lianyong (陳連勇) | No. 65, Lane 2001<br>Longdong Avenue<br>Pudong New Area<br>Shanghai<br>PRC                     | American           |

**Independent non-executive Directors**

|                        |  |         |
|------------------------|--|---------|
| Ms. CHEN Yan (陳艷)      | No. 2-3-2<br>178 Lingshui Road<br>Ganjingzi District<br>Dalian<br>PRC                  | Chinese |
| Dr. FANG Weiyi (方唯一)   | Room 25E<br>No. 18, Lane 1029<br>Zhaojiabang Road<br>Xuhui District<br>Shanghai<br>PRC | Chinese |
| Dr. YIN Guisheng (印桂生) | 258 Nantong Street<br>Nangang District<br>Harbin<br>PRC                                | Chinese |

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor, [REDACTED] and  
[REDACTED]**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

[REDACTED]

**Reporting Accountant and  
Auditor**

**PricewaterhouseCoopers**  
*Certified Public Accountants  
and Registered Public  
Interest Entity Auditor*  
22/F, Prince's Building  
Central  
Hong Kong

**Legal Advisors to the Company**

*As to Hong Kong and U.S. laws:*  
**Clifford Chance**  
27/F Jardine House  
One Connaught Place  
Central  
Hong Kong

*As to PRC law:*  
**Tian Yuan Law Firm**  
Suite 509, Tower A  
Corporate Square  
35 Financial Street  
Xicheng District  
Beijing  
PRC

*As to Cayman Islands law:*  
**Maples and Calder (Hong Kong) LLP**  
26th Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Legal Advisors to the [REDACTED]**

*As to Hong Kong and U.S. laws:*

**Herbert Smith Freehills**  
23/F, Gloucester Tower  
15 Queen's Road  
Central  
Hong Kong

*As to PRC law:*

**Commerce & Finance Law Offices**  
6/F, NCI Tower  
A12 Jianguomenwai Avenue  
Chaoyang District  
Beijing  
PRC

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai  
Branch Co.**  
2504 Wheelock Square  
1717 Nanjing Xi Lu  
Jing'an District  
Shanghai  
PRC

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## CORPORATE INFORMATION

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|   |   |
|---|---|
| <b>Registered Office</b>                                    | PO Box 309<br>Ugland House<br>Grand Cayman<br>KY1-1104<br>Cayman Islands  |
| <b>Head Office and Principal Place of Business in China</b> | Room 2070, Building 2, Lane 1800<br>Xinyang Road<br>Pilot Free Trade Zone Lin-Gang<br>Special Area<br>Shanghai<br>PRC   |
| <b>Principal Place of Business in Hong Kong</b>             | 40/F, Dah Sing Financial Centre<br>248 Queen's Road East<br>Wan Chai<br>Hong Kong   |
| <b>Company's website</b>                                    | <b><u><a href="http://www.xikang.com">www.xikang.com</a></u></b><br><i>(The information on this website does not form part of this document)</i>  |
| <b>Joint Company Secretaries</b>                            | Ms. WANG Shuli<br>18 Shaoxing Street<br>Heping District<br>Shenyang<br>PRC<br><br>Mr. WONG Wai Chiu<br><i>(associate member of The Hong Kong Institute of Chartered Secretaries)</i><br>40/F, Dah Sing Financial Centre<br>248 Queen's Road East<br>Wan Chai<br>Hong Kong |

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## CORPORATE INFORMATION

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### Authorized Representatives

Ms. ZONG Wenhong  
Room 2002, Building 1  
555 Furongjiang Road  
Changning District  
Shanghai  
PRC

Mr. WONG Wai Chiu  
40/F, Dah Sing Financial Centre  
248 Queen's Road East  
Wan Chai  
Hong Kong

### Audit Committee

Ms. CHEN Yan (*Chairman*)  
Dr. CHEN Lianyong  
Dr. YIN Guisheng

### Remuneration Committee

Ms. CHEN Yan (*Chairman*)  
Dr. LIU Jiren  
Dr. FANG Weiyi

### Nomination Committee

Dr. LIU Jiren (*Chairman*)  
Dr. FANG Weiyi  
Dr. YIN Guisheng

### Strategy Committee

Dr. LIU Jiren (*Chairman*)  
Ms. ZONG Wenhong  
Dr. CHEN Lianyong  
Dr. FANG Weiyi  
Dr. YIN Guisheng

### Compliance Advisor

**Somerley Capital Limited**  
20/F, China Building  
29 Queen's Road Central  
Hong Kong  
*(A licensed corporation carrying out Type 1  
(dealing in securities) and Type 6 (advising  
on corporate finance) regulated activities  
under the SFO)*

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## CORPORATE INFORMATION

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### Hong Kong Share Registrar

[REDACTED]

### Principal Share Registrar and Transfer Office

[REDACTED]

### Principal Bankers

**Industrial Bank Co., Ltd., Xi'an Road  
Branch**  
646 Huanghe Road  
Shahekou District  
Dalian  
PRC

**China Merchants Bank Co., Ltd., Nanhu  
Technology Development Area Branch**  
33 Caita Street  
Heping District  
Shenyang  
PRC

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## INDUSTRY OVERVIEW

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*The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

### THE PRC GENERAL HEALTH AND WELLNESS INDUSTRY

The PRC general health and wellness industry is one of the largest components of the PRC economy, which refers to services and products related to the maintenance, recovery and promotion of health, encompassing healthcare services, pharmaceuticals, nutrition and healthcare products, medical devices, maternal and infant products, as well as other services such as health management and elderly care. According to Frost & Sullivan, the market size of China's general health and wellness industry reached RMB9.2 trillion in 2021, and is expected to increase to RMB20.2 trillion by 2030, at a CAGR of 9.1%.

### THE PRC HEALTHCARE SERVICES INDUSTRY

#### Overview

The PRC healthcare services industry consists primarily of disease prevention, treatment and rehabilitation. According to Frost & Sullivan, China's healthcare expenditure was RMB7.6 trillion in 2021, and is expected to reach RMB12.0 trillion by 2026, and further increase to RMB16.3 trillion by 2030, at a CAGR of 8.9% from 2021 to 2030.

Several factors have driven and are expected to drive the rapid growth of the healthcare market in China. Specifically, increasing per capita disposable income, an aging population and increasing prevalence of chronic diseases are the key drivers that propel the continuing development of the PRC healthcare services industry. According to Frost & Sullivan, the population of China exceeded 1.41 billion as of December 31, 2021, and the per capita disposable income is expected to increase from RMB35,128 in 2021 to RMB66,598 in 2030, at a CAGR of 7.4%. According to Frost & Sullivan, the healthcare consumption is expected to constitute more than 20.0% of the total per capita consumption expenditure by 2030. Meanwhile, China has witnessed accelerated growth of its aging population, and the burden of support is increasing gradually. Population aged over 65 accounted for 14.2% of the total population in China in 2021, and such percentage is expected to increase to 22.0% by 2030, according to Frost & Sullivan. Accompanied with the aging demographic, the healthcare expenditure in China is expected to continually grow, according to Frost & Sullivan.

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## INDUSTRY OVERVIEW

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The development of China's healthcare market is falling behind that of many developed countries. According to Frost & Sullivan, the healthcare expenditure of the U.S., Germany and Japan accounted for 17.8%, 13.8% and 12.2% of their GDP in 2019, respectively, whereas China's healthcare expenditure was only 6.7% of its GDP in 2019. Accordingly, the PRC healthcare industry has the potential for significant growth.

### **Pain Points of the PRC Healthcare Services Industry**

#### ***Scarcity and Uneven Distribution of Quality Medical Resources***

The imbalanced distribution of medical resources has been a severe problem in China. Quality medical resources are primarily concentrated in eastern coastal cities and economically developed large and medium-scaled cities, particularly in Class III hospitals, while the primary healthcare service capabilities in rural regions continue to lag behind. According to Frost & Sullivan, there were only 8.5%, or 2,996, Class III hospitals out of 35,394 hospitals in China, and only twelve provinces or municipalities have over 100 Class III hospitals in 2020. Additionally, the lack of effective management of patients' medical treatment and the traditional and limited way to provide healthcare services have led to difficulty and high expenses for patients to get medical consultations, which has long been the structural disadvantages impeding the development of the PRC healthcare services industry. As the primary care system and triage mechanism have not been fully established, patients are concentrated in large medical institutions, especially Class III hospitals. According to Frost & Sullivan, Class III hospitals, in aggregate, assumed more than 50% of medical consultations in 2020 in China, while they only accounted for 8.5% of the total number of the PRC hospitals.

Meanwhile, most of Class III hospitals are located in tier one cities such as Beijing and Shanghai as well as more affluent and densely populated eastern coastal provinces, such as Shandong, Jiangsu and Zhejiang provinces, each of which has more than one hundred Class III hospitals, with more than one Class III hospital per million population. In contrast, in less affluent but densely populated provinces such as Hebei, Henan and Hunan provinces, there are less than one hundred Class III hospitals in each province, with less than one Class III hospital per million population.

The significant mismatch of the supply and demand, combined with the relative scarcity of quality medical resources, including primary medical resources, has resulted in inefficient and unnecessary utilization of the medical resources in China.

#### ***Poor Healthcare Service Experience for Patients***

The mismatch of medical resources supply and demand leads to another pain point of the PRC healthcare services market, namely poor healthcare service experience for patients. According to Frost & Sullivan, a patient in China spent on average three hours on an outpatient visit in 2021, in which the effective time dedicated to the patient's diagnosis only accounted for eight minutes, or 4.4% of the average outpatient visit time.

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## INDUSTRY OVERVIEW

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### *Potential Deficit of the Social Medical Insurance*

China's increasing healthcare demand and expenditure pose challenges not only to healthcare providers, but also to its medical insurance system. At present, the PRC medical insurance system consists primarily of government-sponsored social medical insurance, which includes basic medical insurance and medical aid schemes, as well as commercial medical insurance offered by private insurers. According to Frost & Sullivan, the growth of basic medical insurance's expenditure is expected to outpace that of its revenue in future. A deficit is expected to arise in 2026 and expand to over RMB4.4 trillion in 2030, assuming no timely and effective cost control measures are implemented.

## THE PRC DIGITAL HEALTHCARE SERVICES MARKET

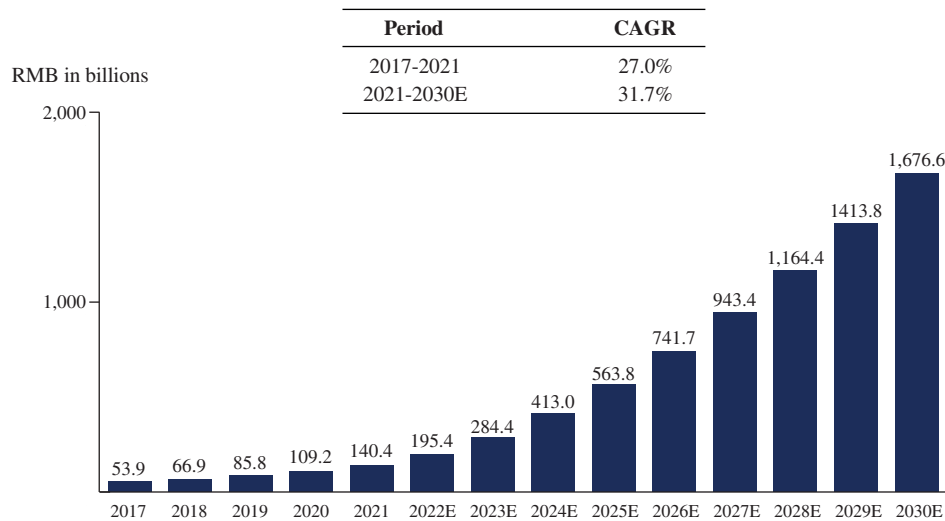
### Overview

Accompanied by technology advancement and favorable policy support, the concept of digital healthcare emerged. Digital healthcare is value-based healthcare combined with digital medical services. It is not only the digitization of the medical services, consumer healthcare services and health management services, but also the added value resulted from the interconnectivity built upon such services. It is identified as an effective approach to address the pain points of the PRC healthcare services industry.

Currently, the PRC healthcare system is, by and large, still relying on a development model where healthcare businesses are relatively disconnected with low efficiency and low transparency. In contrast, digital healthcare is a more connected, well-organized, collaborative, fully integrated online-to-offline development model with high efficiency and high transparency. The digital healthcare model is expected to create a healthcare ecology without physical boundary, where data and knowledge are shared, and AI, big data, smart wearables and community become new elements of the healthcare system. In this process, digital technology and model innovation play a crucial role. These two factors, while being interdependent, can together contribute to (i) the establishment of a precise, standardized and measurable healthcare service model, (ii) the creation of more medical service resources as a whole where quality hospitals have larger capacity and more doctors can offer quality services, and (iii) the extension of quality healthcare services from hospitals to households.

## INDUSTRY OVERVIEW

The PRC digital healthcare services market has developed rapidly in recent years. It covers four key components, (i) digital healthcare infrastructure, (ii) digital medical services, (iii) digital consumer healthcare products and services, and (iv) digital health management. According to Frost & Sullivan, the size of the PRC digital healthcare services market reached RMB140.4 billion in 2021 and is expected to further increase to RMB1,676.6 billion by 2030 at a CAGR of 31.7%. The following diagram sets forth the historical and forecast market size of the PRC digital healthcare services market from 2017 to 2030:



*Source: the Frost & Sullivan report*

Market players in each of the four components of the PRC digital healthcare services market are facing challenges. For the digital healthcare infrastructure segment, major challenges include (i) high capital requirements as the size of investment in this segment is relatively large and investment cycle is relatively long; and (ii) the experience and knowhow required to apply and operate the digital infrastructure for medical institutions. For the digital medical services segment, major challenges include (i) lack of standardize medical records and prescriptions in primary medical institutions and the lack of market education, making it difficult for market players to provide full-service support; and (ii) implementation of diagnosis-related classification, requiring market players to possess technical capabilities to incorporate functions enabling the use and control of medical insurance budget. For the digital consumer healthcare products and services segment, major challenges are to precisely locate helpful medical information and effectively connect online and offline medical resources. For the digital health management segment, major challenges include (i) the capability of detailed data collection and proper data analysis and management; (ii) the requirement of the speciality and reliability of digital health management services to be provided.

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## INDUSTRY OVERVIEW

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### Characteristics of the PRC Digital Healthcare Services Market

The most significant characteristic of the digital healthcare services market in China is the interconnectivity among the participants of this industry, which is reflected in the following aspects:

- ***Connection between online and offline.*** Connection between online and offline makes it possible for healthcare services that conventionally take place offline to be enabled online, which allows both healthcare providers and patients to benefit from diversified channels of healthcare services. In particular, from the healthcare provider's end, it helps to reorganize and optimize the utilization of medical resources; from the patient's end, it helps to simplify the onerous procedures when patients are seeking healthcare services. By and large, the connection between online and offline healthcare services promotes the overall efficiency of healthcare system, improving the accessibility of medical resources.
- ***Connection between inside and outside of medical institutions.*** Connection between the inside and outside of the medical institutions is to establish the continuity of care for post-discharge patients and address their needs for convalescent care outside the medical institutions. Such connection also focuses on expanding the tracking of personal data from inside of a medical institution to the outside. By connecting EMRs inside of medical institutions with personal health data generated outside of medical institutions, it creates a continuity of personal health data that captures a more accurate and comprehensive health profile for a person, which forms the basis of improving healthcare quality in terms of better healthcare decisions, more coherent health management and efficient expense control. EMRs are electronic medical records generated electronically within a medical institution when a patient visits a doctor. Personal health data records, on the other hand, are generated by monitoring body conditions through smart health products in daily life. Digital healthcare services cover both digital medical services and health management services to enable the connection of EMRs and personal health data through an opened digital channel, where doctors can access certain health related data of patients to gain an accurate and comprehensive understanding of the patients' condition.
- ***Connection among medical institutions.*** Connection among medical institutions is the linkage of different tiers of medical institutions and formation of regional cooperative healthcare service network. Through the sharing of medical information and opening of mutual transfer channels, the healthcare service network can assist with hierarchical diagnosis and treatment, improve convenience of patients to manage chronic diseases, and provide technical infrastructure for telemedicine.



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## INDUSTRY OVERVIEW

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### **Accelerated Digitization of the PRC Digital Healthcare Services Market**

Digitization is a prevailing means to achieve the interconnectivity among the participants of the PRC digital healthcare services market. Benefitting from the development of technologies including communication technology and information technology, digital platforms become easier to be established for digital healthcare service providers to accelerate the digitalization of digital medical service market. The demand of digital healthcare services is driven by upgraded healthcare demands of patients that seek high-quality healthcare services including speedy and convenient online diagnosis or treatment advices.

#### *Drivers of the digitalization of the PRC digital healthcare services market*

The digitization of this market is driven by the following factors:

##### *Technology Development and Upgraded Healthcare Demands*

With the advancement of technology infrastructure, information technology is further integrated with the traditional healthcare industry, which drives innovation and upgrade of products and service models for digital medical services. Such upgrade is also attributable to the rising demands for high-quality healthcare services. Through the application of information technology, hospitals or doctors of different levels are able to communicate and cooperate smoothly and patients could also access high-quality healthcare services across regions. With the increasing popularity of Internet and the growing health awareness, digital medical services are becoming well-recognized and used by more users.

##### *Favorable Government Policies*

The PRC government has always attached great importance to improving the operational efficiency of the healthcare industry by the means of digitization, especially the operational efficiency of social medical insurance funds, in order to effectively address the difficulty and expensiveness in seeking medical consultations by patients. In recent years, the PRC government issued a number of policies to promote the digitization of the industry. For example, it implemented the standards of Internet hospitals, and opened up online access to social medical insurance payment, propelling the development of various forms of “Internet + Healthcare” services and products. In particular, in the backdrop of the COVID-19 pandemic, the PRC government has published a series of favorable policies, including Notice on Strengthening Informationization to Support the Prevention and Control of the COVID-19 Pandemic (《關於加強信息化支撐新型冠狀病毒感染的肺炎疫情防控工作的通知》) and Notice on “Internet + Diagnosis and Treatment” Consultation Services in the Prevention and Control of the Pandemic (《關於在疫情防控中做好互聯網診療諮詢服務工作的通知》) in February 2020, and Guiding Opinions on Promoting “Internet+” Medical Insurance Services in the Prevention of the COVID-19 Pandemic (《關於推進新冠肺炎疫情期間開展「互聯網+」醫保服務的指導意見》) in March 2020. In addition, according to the “Implementation Guideline for Promoting High-Quality Development of Healthcare Industry (2019-2022)” issued by NDRC in 2019, it is encouraged to construct healthcare information platforms within

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## INDUSTRY OVERVIEW

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provinces to connect medical institutions and share medical resources and data through such platforms, promoting the digitalization and balanced distribution of medical sources within provinces. These policies focus on the promotion of the digitization progress of the entire healthcare industry, and particularly the following areas: (i) to promote online voluntary consulting; (ii) to give full play to the role of online consultation in prevention and control, scientifically organize online diagnosis and treatment; and (iii) to cover Internet medical treatment with medical insurance.

### *COVID-19 Pandemic*

During the COVID-19 pandemic, the PRC government implemented strict measures to control the outbreaks in China, including workplace shutdowns and travel restrictions. The disruptive impact of the COVID-19 pandemic has exposed a number of vulnerabilities in the traditional healthcare system and highlighted the need for the whole system to work together.

Faced with significant pressures on the healthcare system, the PRC digital healthcare services market has witnessed an acceleration of digital transformation across many processes of healthcare among multiple healthcare participants. During the COVID-19 pandemic, an increasing number of medical institutions started participating in digital medical platforms and providing online consultations. This has driven more patients to experience digital medical services. The acceptance of digital medical by both patients and doctors has increased significantly, and digital healthcare platforms supplementary to the traditional healthcare services have also been widely recognized by the PRC government for the value it has brought about. According to the NHC, the number of Internet hospitals increased over eight times from 158 in May 2019 to more than 1,700 in June 2022. In the backdrop of the COVID-19 pandemic, the online diagnosis and treatment by third-party platforms increased approximately 17 times in 2020 as compared to 2019.

Since the outbreak of COVID-19, the National Healthcare Security Administration had introduced "Internet medical service" in the national medical insurance document for the first time and implemented detailed policies to support the development of online follow-up medical services for common and chronic diseases provided by Internet medical institutions for insured persons. Such policies set up specific goals and guidelines to be reached in the future, encouraging the digitalization of healthcare going forward. In addition, in response to the lockdown as affected by the COVID-19 pandemic, healthcare service providers have accelerated the digitalization of medical services. Remote diagnosis and treatment have been accepted and will be more widely used after the pandemic due to its high efficiency and convenience. COVID-19 pandemic leads to the promulgation of relevant government policies and accelerates the application of healthcare digitalization, and therefore, positive effect on the digital healthcare services market is expected to continue in the future after the ease of the COVID-19 pandemic.

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## INDUSTRY OVERVIEW

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### Entry Barriers

New market entrants to the PRC digital healthcare services market are confronted with a number of barriers, including those relating to:

- ***Capabilities to empower multiple participants.*** Market players' capabilities to serve and empower multiple participants in the healthcare system are important to attract participants to their digital healthcare solutions and platforms to achieve growth. New entrants to the market may experience difficulties in establishing platforms that integrate patients, medical institutions, medical insurers and local governments and developing such capabilities in a short period of time.
- ***Comprehensive healthcare service offerings for the full healthcare cycle.*** The failure to provide comprehensive healthcare services over digital healthcare platforms that cover the full cycle of healthcare may risk discouraging new and losing existing users, thereby reducing the activeness of such platforms. Existing market players are often equipped with well-established service offerings and may find it easier than new entrants to maintain user satisfaction and attract and retain users.
- ***Healthcare quality management capabilities.*** The establishment of a comprehensive and effective healthcare quality management system is crucial to the user experience and satisfaction of healthcare services provided, as healthcare services are treatment outcome oriented. New market entrants may not be able to so establish such system in an early stage of their business.
- ***Data accumulation and platform technological capabilities.*** The access to large volumes of medical data and technological capabilities to ensure the scalability and reliability of digital healthcare platforms are vital to the continuous development of digital healthcare solutions and platforms. In contrast, it is relatively difficult for new market entrants to acquire such access and capabilities within a short period of time.

## INDUSTRY OVERVIEW

### Competitive Landscape

Among all major players in the PRC digital healthcare services market, diversified cooperation models arise with different contents and methods. As a city has all the key participants of the healthcare system including local health administrations (regulators), medical institutions (healthcare providers), patients (demand) and medical insurers (payers), such cooperation models are typically at a municipal level, thereby forming municipal-based systems. According to Frost & Sullivan, Neusoft Xikang ranked first among the five major players by number of cities with strategic cooperation at municipal level as of September 30, 2022, as illustrated in the following table:

| Major Players <sup>(1)</sup> | Background and Listing Status (if applicable)  | Business Model Description  | Cities with Strategic Cooperation at Municipal Level as of September 30, 2022 | Contents of the Strategic Cooperation   |
|------------------------------|--|---|---|---|
| Neusoft Xikang               | Mainly focused on the provision of cloud hospital platform services, Internet medical services, health management services and smart healthcare products | Providing cloud hospital platform operation services, Internet medical services, health management services and smart healthcare products | 28 Cities   | Established city-specific cloud hospital platforms, a digital healthcare infrastructure to facilitate the digitization of the local healthcare landscapes. For details, see “Business – Our Solutions.”   |
| Company A                    | Established and operated the first online hospital in China, with an innovative model of “Internet + Medical Health”; incorporated in 2004               | Providing online medical services and health maintenance services   | 17 Cities   | Launched digital chronic disease management service model empowered by Internet hospitals, with direct settlement by public health insurance in China, where city-based digital consultations, treatment and management services to users with certain chronic diseases can be provided |

## INDUSTRY OVERVIEW

| Major Players <sup>(1)</sup> | Background and Listing Status (if applicable)  | Business Model Description   | Cities with Strategic Cooperation at Municipal Level as of September 30, 2022 | Contents of the Strategic Cooperation  |
|------------------------------|--|--|---|--|
| Company B                    | Committed to building a health management platform that takes medicine and health product supply chain as the core, and also concentrated on digital-driven medical services; listed in Hong Kong in December 2020 | Providing retail pharmacy operation services and online medical services   | 7 Cities  | Established regional Internet hospital to improve accessibility of comprehensive healthcare services including medical consultations, health management, chronic disease management, adopted digitization at primary medical institutions to improve management capability and further utilized big data to cooperate with local medical insurance to better supervise and prevent medical insurance abuse and fraud                                   |
| Company C                    | Mainly concentrated on the fields of pharmaceutical e-commerce, medical services and digital healthcare; listed in Hong Kong through asset injection into a then listed company                                    | Providing pharmaceutical direct sales business, pharmaceutical e-commerce platform business, medical and healthcare services business and pharmaceutical products tracking and consumer healthcare | 5 Cities  | Established cooperation at the municipal level to improve the accessibility of healthcare services including medical consultation, drug prescription and health management, among other things, thereby forming the foundation to manage the residents' health data at a regional level, which helps the region better control the healthcare expenditure, balance the healthcare resources and facilitate commercial healthcare insurance development |
| Company D                    | Operated as one of leading companies in the Internet healthcare industry; listed in Hong Kong May 2018   | Providing online healthcare services, consumer healthcare services, health e-commerce and health management and wellness services  | 4 Cities  | Formed Internet hospital platform to connect with local medical institutions, which consisted of five modules of services, namely, online diagnosis, prescription circulation, health management, data monitoring and back-office management   |

*Source: the Frost & Sullivan report, public filings of companies*

(1) The identities of peer companies are presented in code names. Even though Companies B to D are listed companies, the relevant data was not directly extracted from their respective public filings, and was compiled by Frost & Sullivan based on last available public filings together with subsequent news articles, press releases, and other public sources, as part of the data compilation methodology of Frost & Sullivan. Accordingly, as we had not acquired consent from these companies as of the Latest Practicable Date, unauthorized disclosure may cause potential disputes.

## INDUSTRY OVERVIEW

The following table sets forth further details on our competitive landscape of the PRC digital healthcare services market in 2021 or as of December 31, 2021, as appropriate, by sub-industry:

| Sub-Industry   | Type of market players   | Intensity of competition and industry position of our Company   |
|--|--|---|
| Digital healthcare infrastructure industry                 | Healthcare IT solution providers, such as traditional IT solution companies with business footprint in the healthcare industry as well as specialized health-tech companies  | <p>We face competition from competitors across China and the intensity of competition in this market was rather high. There were roughly dozens of competitors in such market, while only very few of them had established strategic cooperation at the municipal level.</p> <p>We ranked first in terms of number of cities with city-specific cloud hospital platforms.</p> <p>We ranked third in terms of the total number of medical institutions (including both primary medical institutions and hospitals) connected to digital healthcare platforms. Our network of medical institutions covered 3.4% of the total number of medical institutions in China, while our competitor that ranked first covered 9.4% of the total number of medical institutions in China.</p> <p>We were also one of the few companies whose platform network was connected to more than 2,000 hospitals in China. Our network has covered 5.8% of the total number of hospitals in China.</p>  |
| Digital medical services industry                          | Digital medical services companies, such as online medical appointment making and consultation platform companies, online prescription processing platform companies, and other companies providing various digital medical services | <p>This market is rather crowded as there were around 100 competitors providing digital healthcare platforms.</p> <p>We were among the top three players in terms of the number of medical institutions connected to the platform, and among the top 15 players in terms of the number of doctors registered with the platform.</p> <p>We ranked 13th among the top 15 players in terms of Internet medical service volume. The annual service volume of the top five players ranged from 54.8 million to 265.3 million.</p>  |
| Digital health management industry                         | Health management service companies, such as franchise of private health check-up companies and the health check-up departments of public hospitals  | <p>Health management service companies can be divided into private ones operated in a chain manner, and public ones mainly provided by public hospitals. The market is relatively scattered, with top three players contributing to less than 15% of the market share in terms of revenue. This is largely due to offline nature of health check-up service with leads to limitations on geographical service coverage. In different regions, the respective market leaders are subject to restrictions on the number of physical check-up centers of such region, therefore exhibiting regional differences.</p>   |
| Digital consumer healthcare products and services industry | Digital health product companies, such as medical equipment companies and traditional IoT product companies with healthcare offering   | <p>There are a large number of players in this industry, with different specializations and business focuses. Sub-industries within this industry are diversified, including IoT, home-use medical devices, medical-use devices, and physiotherapy equipment industries, among other things, leading to a scattered market. The sub-industries each have their own parameter and criteria with unique weight assignment to evaluate the top players. For example, some of the leading players in the home-use medical devices industry have had little revenue from sales of medical devices to hospitals, and it will fail to show their competitively advantageous position if they are ranked within the larger digital consumer healthcare products and services industry. Meanwhile, our Company focused on smart healthcare products targeted at institutional settings including primary medical institutions and practitioners in rural communities. Compared to the other players, our business focus is relatively unique and thus there is no direct competitor with similar business focus. Accordingly, there is a lack of unified metrics to qualitatively or quantitatively assess the rankings of specific players in this industry to meaningfully and accurately reflect the competitive landscape.</p> |

## INDUSTRY OVERVIEW

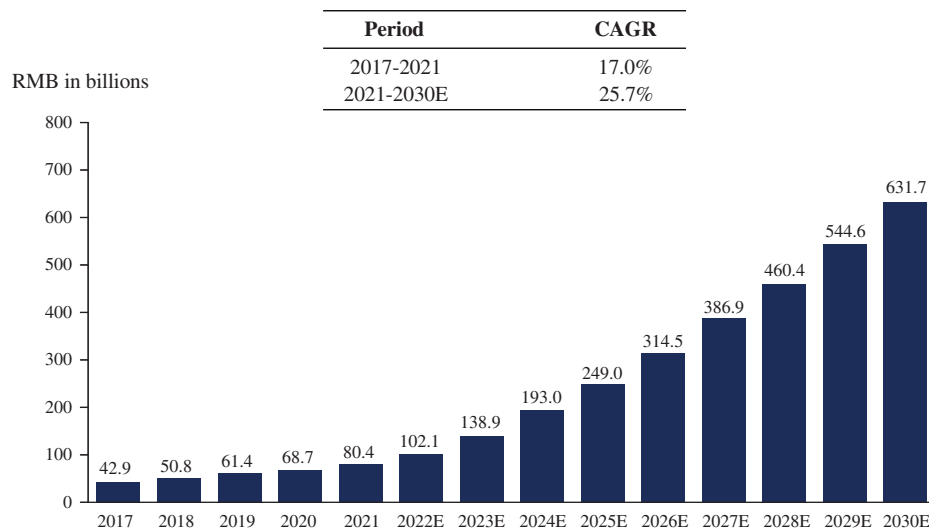
### DIGITAL HEALTHCARE INFRASTRUCTURE INDUSTRY

#### Overview

Digital healthcare infrastructure industry refers to the infrastructure system that uses digital technology as the core and meets healthcare needs through digital means. The digital healthcare infrastructure serves to develop the healthcare industry, enhance national health awareness, and realize universal and equitable access to healthcare. Digital healthcare infrastructure is the base of digital healthcare services. Digital healthcare infrastructure includes a set of fundamental facilities and systems for healthcare purposes that is based on digital technology, network technology, communication technology, electronic technology and information technology. It is an innovative modern service system that is driven by healthcare digitalization.

Benefitting from the development of digital healthcare infrastructure, the digital healthcare platforms have been upgraded to contain extended functions by providing multiple series of healthcare services, as opposed to merely carrying out basic functions such as establishing a hospital information system. In particular, through digital healthcare infrastructure, medical data can be shared among different specialities in medical institutions or even among different medical institutions to diminish the information gap in the healthcare system through such connectivity.

The digital healthcare infrastructure industry is the largest component of the digital healthcare services market in China. According to Frost & Sullivan, the size of the PRC digital healthcare infrastructure industry reached RMB80.4 billion in 2021 and is expected to increase to RMB631.7 billion in 2030, at a CAGR of 25.7%. The following diagram sets forth the historical and forecast market size of the PRC digital healthcare infrastructure industry from 2017 to 2030:



Source: the Frost & Sullivan report

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## INDUSTRY OVERVIEW

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### Future Trends

The PRC digital healthcare infrastructure industry has demonstrated the following trends:

- ***Expansion and integration.*** Various top medical institutions and primary medical institutions are expected to join the digital healthcare platforms, thereby sharing the same pool of resources and patient demands, which is expected to further attract additional medical institutions to the platforms. Meanwhile, various functions are expected to be integrated into digital healthcare platforms to maximize the value of the platforms optimized by information technologies.
- ***Standardization.*** Standardization is expected to improve the quality of medical data, leading to better cooperation between digital healthcare platforms and hospital information systems, public health systems as well as social medical insurance systems. In addition, the advocacy by the PRC governments in respect of patient sorting is expected to lead to further standardization of the diagnosis and treatment processes. Clinical guidelines are also expected to establish standard treatment paradigms of different diseases.
- ***Specialization.*** With the increasing demand of realizing the life-cycle management of different diseases and delivering patient-centric care, healthcare services are becoming more specialized. To align with such trend, it is expected that healthcare infrastructure providers will be able to offer corresponding software services to facilitate clinic cooperation and whole process management of certain diseases, enhancing the specialization of healthcare.
- ***Data protection.*** Protection of patient records and privacy has long been raised as a paramount issue, since it helps to maintain the fundamental fiduciary doctor-patient relationship. Thus, in order to maximize the benefit of such infrastructure, it is expected that infrastructure service providers will enhance data security, addressing privacy issues.

### Entry Barriers

New market entrants to the PRC digital healthcare infrastructure industry are confronted with a number of barriers, including those relating to:

- ***Capability to attract customers.*** Public medical institutions still dominate China healthcare's system, which means that the digital healthcare infrastructure business heavily relies on public bidding and brand reputation to attract customers. Medical resources, knowledge and experience in healthcare industry, and general client acquisition capabilities are critical to attract new customers.
- ***Multi-disciplinary technique.*** The application and operation of digital healthcare infrastructure in medical institutions requires software and hardware techniques, and the experience and know-how to integrate into healthcare services are also important for a market player to serve medical institutions.



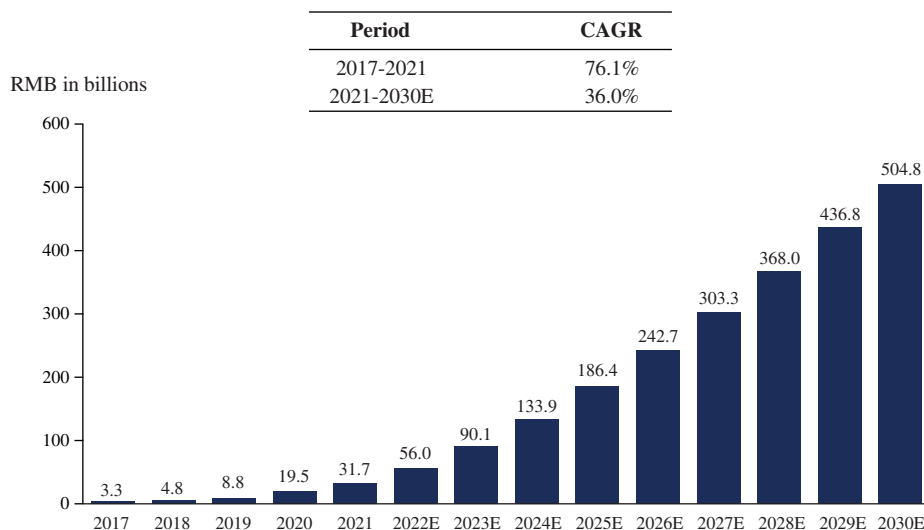
## INDUSTRY OVERVIEW

- Service coverage.** Integration of digital healthcare infrastructure with healthcare services enables offline healthcare services to move online, improving accessibility and convenience. To achieve this, a series of functions including digital connection among different entities to break isolation of a sole medical institution and efficient internal informatization, need to be systematically realized. Market players with one-stop service coverage are preferred due to better compatibility among different function modalities and lower vendor management costs from customers’ perspective.
- First mover advantage.** Platforms providers who establish platforms early, address fundamental demands of customers and build business relationships with stakeholders of the healthcare system are expected to take the lead in the digital healthcare infrastructure market. This is because the complexity of the healthcare system as well as the scale and depth of involvement by various parties make it difficult and costly for existing platform participants to switch to new platforms.

### DIGITAL MEDICAL SERVICES INDUSTRY

#### Overview

Digital medical services could be efficiently delivered through digital healthcare platforms, which connect hospitals and other medical institutions, medical professionals and patients in China to aid the healthcare system to achieve greater productivity and efficiency. In particular, with the advancement of digital technology, healthcare services that conventionally take place offline are enabled online. The entire process from registration to medicine pick-up can be digitized to resolve the current pain points of the PRC healthcare services industry by building up a linkage between online and offline services, controlling medical expenses and breaking information barriers. According to Frost & Sullivan, the size of the PRC digital medical services industry reached RMB31.7 billion in 2021 and is expected to increase to RMB504.8 billion in 2030, at a CAGR of 36.0%. The following diagram sets forth the historical and forecast market size of the PRC digital medical services industry from 2017 to 2030:



Source: the Frost & Sullivan report

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## INDUSTRY OVERVIEW

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Digital medical services have the following advantages:

- ***Improve medical resource distribution.*** Digital healthcare platforms can effectively integrate resources and break time and geographical restrictions. On such platforms, doctors can use fragmented spare time to conduct consultations and follow-ups, thereby increasing the supply of medical resources. The platforms can also match the supply and demand, so that patients in remote areas can enjoy quality healthcare services by seeking diagnosis online, overcoming the problem of uneven distribution of medical resources.
- ***Optimize medical procedures.*** Digital healthcare platforms can help transfer some offline services online, such as appointment registration, result check and payment, which are typically time-consuming and laborious, thereby shortening the waiting time of patients at the hospitals and improving the overall experience.
- ***Save costs for insurance fund.*** Digital healthcare platforms can accumulate and store health data. Integrating data and AI technology can provide support for cost savings for medical expenses and insurance funds to potentially alleviate the expected deficit of the social media insurance.
- ***Weaken the information asymmetry.*** Information barriers often exist between patients and doctors, and diagnosis and treatment is often based on the doctors' knowledge and experience. Through the digital healthcare platforms, patients can seek experts' advice in different fields concurrently based on their own needs.

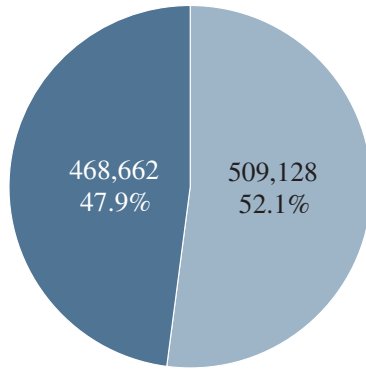
Digital healthcare platforms can effectively collect, store, transmit and integrate the information of patient's personal medical records, as well as health economic information from payers, and incorporates all such information into healthcare database, thereby optimizing the user experience of both patients and payers. Moreover, digital healthcare platforms can regularly handle daily issues of hospital management to improve administration efficiency. Digital healthcare platforms may help integrate patients, providers and payers to form a regional healthcare system at a municipal scale, namely a municipal-based healthcare system. The municipal-based healthcare system typically has the followings features:

- ***From the patients' side.*** Due to the improved public healthcare accessibility through digital healthcare platforms and services, patients could seek follow-up consultations of chronic diseases in the city they live in, thereby improving convenience and healthcare service experience.
- ***From the providers' side.*** The municipal-based healthcare system established based on city-level hospital clusters can alleviate the distribution imbalance of medical resources by sharing them with all hospitals in the area.
- ***From the payers' side.*** The payment from insurance is expected to be approved, processed and controlled at a municipal level through the digital healthcare platforms and services, which may potentially relieve the expected deficit of the social medical insurance.

## INDUSTRY OVERVIEW

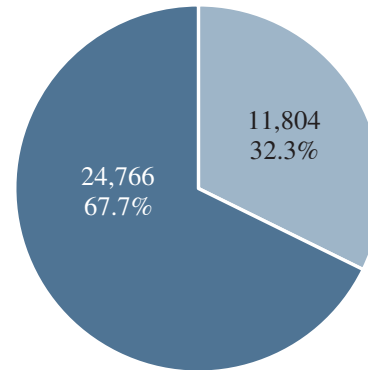
The following diagrams set forth breakdowns of medical institutions into public and private sectors and a breakdown of patient visits by type of medical institutions in 2021:

**Breakdown of Primary Medical Institutions in China, 2021**



■ Public institutions  
■ Private institutions

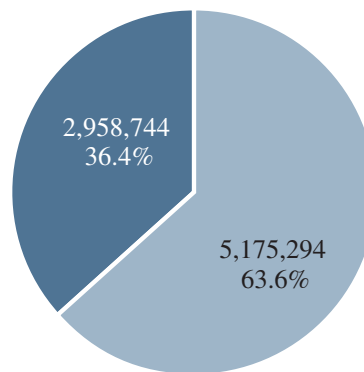
**Breakdown of Hospitals in China, 2021**



■ Public institutions  
■ Private institutions

**Breakdown of Patient Visits at Hospitals and Primary Medical Institutions in China, 2021**

Unit: Patient visits in thousands



■ Public institutions  
■ Private institutions

Source: the Frost & Sullivan report

Note: Primary medical institutions include community healthcare centers, community healthcare stations, township clinics, and other clinics (such as Chinese medicine clinics, and general clinics, among other things). In particular, the community healthcare centers and township clinics mainly fall within the public sector, while other clinics and community healthcare stations mainly fall within the private sector.

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## INDUSTRY OVERVIEW

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### Future Trends

The PRC digital medical services industry have demonstrated the following trends:

- ***Further improvement in the healthcare service payment system.*** Driven by favorable government policies, the integration of digital medical services with social medical insurance in various regions is expected to be accelerated. The publication of such favorable policies is expected to significantly improve the social medical insurance system in the future to cover more types of digital medical services.
- ***Increased prevalence of health-oriented digital medical service model and rapid expansion of digital chronic disease management model.*** In the future, the health-oriented digital medical service model is expected to extend to more regions and cover larger populations. Furthermore, the online and offline digital chronic disease management services are expected to develop rapidly in light of the aging population and enhanced health management awareness of the public.
- ***Rapid development of healthcare services and specialty healthcare services.*** Due to the increase of disposable income per capita and the enhancement of health awareness, the future healthcare services market is expected to further expand to meet the diversified healthcare needs. Customer demand is likely to expand from disease treatment to health management, which focuses on high-end or specialty healthcare services, such as assisted reproductive services and medical tourism.

### Entry Barriers

New market entrants to the PRC digital medical services industry are confronted with a number of barriers, including those relating to:

- ***First mover advantages.*** In order to solve the data silo issue caused by discouraged sharing of information, digital healthcare platforms need to be joined by as many hospitals as possible to gain sufficient scale of healthcare data. As a result, well-developed platforms are able to occupy a large share of the digital medical services market and efficiently lower the operating costs of the platforms.
- ***Extensive specialized departments.*** Along with the continuous advancement of medical research, the specialized departments of hospitals subdivide, even spin off into separate specialized hospitals. As digital healthcare platforms provide personal healthcare solutions to patients with all sorts of injuries and illnesses, the therapeutic areas of such platforms need to be comprehensive, which is hard to achieve for new entrants.

## INDUSTRY OVERVIEW

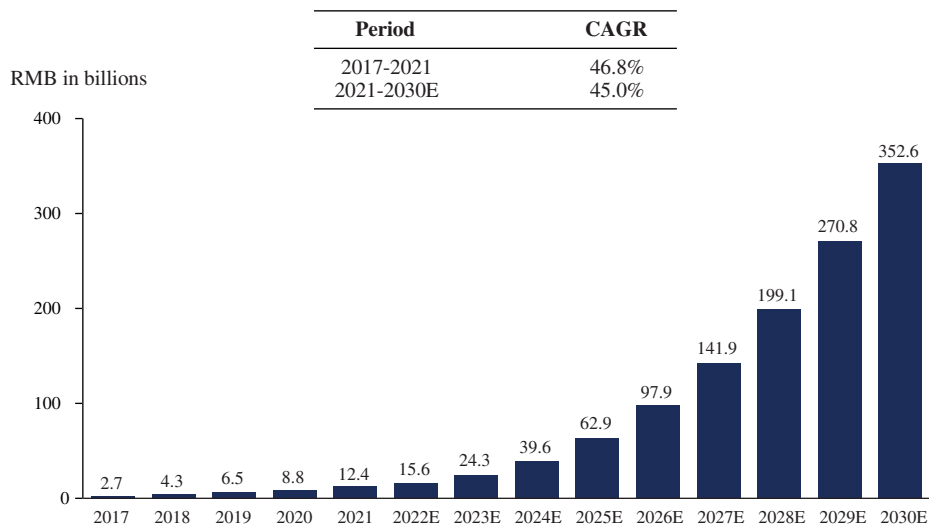
- **Grasping municipal-based access.** Due to the trend of establishing municipal-based healthcare systems, the municipal-based access by market players is becoming critical to their business development. New entrants to the market may experience difficulties in successfully accessing city-based healthcare systems through their platforms.
- **Data protection.** For digital healthcare platforms, huge amounts of data from patients and institutions are collected and stored. Such data are strictly confidential for not only the patients but also the whole nation. New entrants may not be able to achieve the capabilities to ensure the security of the healthcare data on their platforms within a short period of time as the existing market players.

## DIGITAL CONSUMER HEALTHCARE PRODUCTS AND SERVICES INDUSTRY

### Overview

Digital consumer healthcare products and services effectively integrate online and offline resources by providing non-public funded, non-therapeutic and market-oriented healthcare services including health check-ups, cosmetic medicine, and cancer screening and detection, among other things. Empowered by digital platform technologies, the digital consumer healthcare products and services market is expected to attract more potential consumers and experience sustainable growth.

The digital consumer healthcare products and service industry is the smallest component of digital healthcare services market in China, while it is expected to expand rapidly in the future with phenomenal potential. According to Frost & Sullivan, the size of the PRC digital consumer healthcare products and service industry reached RMB12.4 billion in 2021 and is expected to increase to RMB352.6 billion in 2030, at a CAGR of 45.0%. The following diagram sets forth the historical and forecast market size of the PRC digital consumer healthcare products and service industry from 2017 to 2030:



Source: the Frost & Sullivan report

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## INDUSTRY OVERVIEW

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### Future Trends

The PRC digital consumer healthcare products and services industry has demonstrated the following trends:

- ***Consolidation of consumer healthcare services.*** Offline consumer healthcare services are typically specialized in a specific field, such as specialized health check-ups. The migration of such services to online is expected to accelerate the consolidation of these services by market players to capture the diversified demands from customers.
- ***Synergy with other segments in the digital healthcare services market.*** As a supplement to medical services, digital consumer healthcare products and services are expected to generate synergies with the other segments in the digital healthcare services market. Moreover, in light of the improving health awareness of residents, consumer healthcare services are expected to be integrated with other types of digital healthcare services in a more convenient manner.

### Entry Barriers

New market entrants to the PRC digital consumer healthcare products and services industry are confronted with a number of barriers, including those relating to:

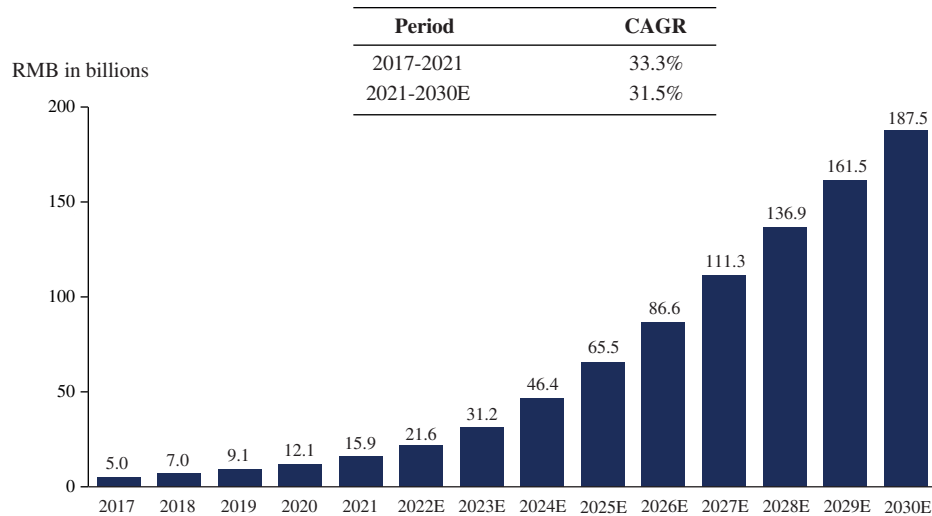
- ***Coverage of preventive care.*** The ability to provide service coverage of preventive care is crucial to competing in the digital consumer healthcare products and services market. New market entrants may not be able to accumulate sufficient medical resources to provide such coverage.
- ***Ability to establish a continuity of care.*** Along with rising health awareness and an aging population, the needs for continuing health management grow significantly, and the ability of market players to address such needs is important to attract customers. New entrants may not have the required resources to acquire such ability.
- ***Capability to target and maintain customers.*** Existing market players may capitalize on the health profiles of customers generated in the course of their provision of digital consumer healthcare products and services to provide services that more accurately match with the respective customer's needs. However, new market entrants may not be able to achieve the capability within a short period of time.

## INDUSTRY OVERVIEW

### DIGITAL HEALTH MANAGEMENT INDUSTRY

#### Overview

Digital health management via smart healthcare products and services refers to (i) healthcare products that are enabled by the Internet and Internet of Things technology, thereby making them digital, people-centric and visualized, and (ii) healthcare services provided based on health monitoring devices with emerging technologies such as Internet of Things, cloud computing and mobile Internet. Smart healthcare products and services can help build a person-centric healthcare management system, thereby enabling customers to effectively and conveniently manage health conditions. According to Frost & Sullivan, the size of the PRC digital health management industry reached RMB15.9 billion in 2021 and is expected to increase to RMB187.5 billion in 2030, at a CAGR of 31.5%. The following diagram sets forth the historical and forecast market size of the PRC digital health management industry from 2017 to 2030:



Source: the Frost & Sullivan report

#### Future Trends

The PRC digital health management industry has demonstrated the following trends:

- Application in broader settings.** Driven by the diverse demand of customers for health monitoring and light healthcare services on a daily basis, customers expect smart health products and services to apply to more settings. This is expected to lead to the emergence of more types of smart health products with new functionalities and greater service utilization.

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## INDUSTRY OVERVIEW

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- ***Increased connectivity of healthcare data.*** Health data generated from smart healthcare products were historically siloed and unable to be automatically stored or integrated into the customers' medical records. In light of the growing customer needs to establish a continuous health profile to allow more precise medical decision-making, health management is expected to be connected to digital healthcare platforms.
- ***Emphasis on the value of services.*** The increasing use of smart healthcare products is expected to drive the flow of medical data to healthcare providers, and encourage them to provide more value-based personalized healthcare solutions to customers in the long term.

### Entry Barriers

New market entrants to PRC digital health management industry are confronted with a number of barriers, including those relating to:

- ***Strict supervision and rigorous regulation.*** The safety and quality of healthcare products and services are vital as they concern the health of people, and has always been the top priority of supervision and regulation. New entrants may need to incur substantial compliance costs initially, which can be detrimental to their businesses.
- ***Scaled organization and standardized management.*** Existing market players are often established players in other health segments with cross-regional presence and may find it easier to create synergies with their digital health management business, which may not be the case for new entrants.
- ***Endorsement of medical institutions.*** Due to the requirement of precision in the healthcare industry, the quality of data output by many smart healthcare products may not be sufficient to be directly utilized by medical institutions. Accordingly, endorsement from medical institutions is crucial to the development of digital health management, which may be difficult for new market entrants to obtain.
- ***Data safety and privacy protection.*** As digital health management directly acts on the customers, providers of such products and services are required by laws and regulations to implement strict protection measures regarding the access to sensitive and confidential user information. New market entrants may incur substantial compliance costs to ensure data security as required.



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## INDUSTRY OVERVIEW

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### SOURCES OF THE INDUSTRY INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report upon, the general health and wellness, healthcare services and digital healthcare services markets in China for use in this document, which was commissioned by us for a fee of RMB840,000. Frost & Sullivan prepared its report based on data released by government institutions and non-government organizations and its primary research.

Forecasts and assumptions included in the Frost & Sullivan report are inherently uncertain because of events or combinations of events that cannot be reasonably foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among other things, risks inherent in the general health and wellness, healthcare services and Internet healthcare industries in China, financing risks, labor risks, supply risks, regulatory risks and environmental concerns.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan report and up to the date of this document that would materially qualify, contradict or have an impact on such information.

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## REGULATORY OVERVIEW

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### REGULATIONS RELATING TO HEALTHCARE SERVICES

#### General Policies

According to the Guiding Opinions on Vigorously Advancing the "Internet Plus" Action (《國務院關於積極推進「互聯網+」行動的指導意見》) issued by the State Council on July 1, 2015, Internet enterprises are encouraged to cooperate with medical institutions in establishing online medical information platforms, strengthen the integration of regional healthcare service resources, and make full use of the Internet, big data and other means to improve the capability to prevent and control severe diseases and unexpected public health incidents.

Pursuant to the Opinions on Promoting the Development of "Internet Plus Health Care" (《國務院辦公廳關於促進“互聯網+醫療健康”發展的意見》) issued by the General Office of the State Council on April 25, 2018, medical institutions are encouraged to apply the Internet and other information technologies to expand the space and content of medical services, and to develop an online-offline integrated medical service model covering stages before, during and after diagnosis. In addition, Internet hospital are permitted to develop on the basis of medical institutions. Medical institutions may adopt Internet hospital as the second name and, on the basis of physical hospitals, provide safe and customized medical services by applying Internet technology. Moreover, medical institutions are allowed to provide online follow-up diagnosis services to patients with some common diseases and chronic diseases. After reviewing documents of the medical records and profiles of patients, doctors are allowed to prescribe online for some common diseases and chronic diseases.

Pursuant to the Circular on Launching the Pilot Program of "Internet Plus Nursing Services" (《國家衛生健康委辦公廳關於開展“互聯網+護理服務”試點工作的通知》) promulgated by the General Office of NHC on January 22, 2019, provinces including Zhejiang are designated as pilot areas, and the local health administrations of which may designate physical medical institutions that have obtained the Practicing License for Medical Institutions and are capable of providing certain relevant services to provide "Internet Plus Nursing Services" in reliance of Internet information technology platform. The Circular on Further Launching the Pilot Program of "Internet Plus Nursing Services" (《國家衛生健康委辦公廳關於進一步推進“互聯網+護理服務”試點工作的通知》), promulgated by the General Office of NHC on December 8, 2020, extends the pilot period to December 2021.

Guiding Opinions on Actively Promoting the Payment with Medical Insurance for "Internet Plus" Medical Services (《國家醫療保障局關於積極推進“互聯網+”醫療服務醫保支付工作的指導意見》), promulgated by National Healthcare Security Administration on October 24, 2020, aim to steadily expand the payment scope of medical insurance funds, on the basis of the regulated development of "Internet Plus" medical services and the improvement of medical insurance management and payment capacity. The processing of "Internet Plus" prescriptions for follow-up medical treatment is encouraged. On February 28, 2020, National Healthcare Security Administration and the NHC jointly issued the Guiding Opinions on Providing "Internet Plus" Medical Insurance Services during the Period of Prevention and Control of the COVID-19 Pandemic (《國家醫保局、國家衛生健康委關於推進新冠肺炎疫情期間開展“互聯網+”醫保服務的指導意見》), pursuant to which eligible "Internet Plus" medical service charges may be included into the payment scope of medical insurance funds during the period of prevention and control of the COVID-19 Pandemic.

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Pursuant to The 13th Five-year Plan for Health and Wellness (《「十三五」衛生與健康規劃》) (the "Plan"), promulgated by the State Council on December 27, 2016, which aims to strengthen the informatization of healthcare and medical industry and fully implement "Internet Plus" medical and healthcare services for the benefit of the people. The Plan also encourages the establishment of regional online medical service platform and enhances the flow of high-quality healthcare resources to mid-west areas of the PRC as well as the rural areas. On July 17, 2018, the National Health Commission (the "NHC") and the National Administration of Traditional Chinese Medicine jointly promulgated three documents, including the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), the Measures for the Administration of Internet Hospital (Trial) (《互聯網醫院管理辦法(試行)》) and the Rules for the Administration of Telemedicine Services (Trial) (《遠程醫療服務管理規範(試行)》). Pursuant to the Measures for the Administration of Internet Hospital (Trial), "Internet hospital" include: (a) Internet hospital adopted as the second name of physical medical institutions, and (b) Internet hospital that are independently established on the basis of physical medical institutions.

### Internet Hospital

According to the Measures for the Administration of Internet Hospital (Trial), to apply for establishing an Internet hospital, it is required to submit an application to the competent government authority which the physical medical institution that supports such Internet hospital registers with. Once the application is approved, if such Internet hospital is the second name of a physical medical institution, its original medical institution establishment approval letter will be added a legend indicating such second name; and if such Internet hospital is independently established on the basis of a physical medical institution, an approval for establishment of medical institution will be granted.

The health administrative department of the State Council and the competent departments of traditional Chinese medicine shall be responsible for the supervision and administration of the Internet hospital nationwide, and the local health administrative departments at all levels (including the competent departments of traditional Chinese medicine) shall be responsible for the supervision and management of Internet hospital within their respective jurisdictions. In addition, health administrative department at provincial level shall set up provincial Internet medical service supervision platform, which connects to platforms of Internet hospitals. Through such supervision platform, health administrative department at provincial level may supervise the Internet hospitals, jointly with the registration authorities, focusing on certain aspects including personnel, prescription, medical activities, protection of patient privacy and information security.

In terms of practicing rules on Internet hospital, the Measures for the Administration of Internet Hospital (Trial) provides that where a third-party institution jointly establishes an Internet hospital on the basis of a physical medical institution, it shall provide the physical medical institution with professional personnel including physicians and pharmacists, and information technology services. Such third-party institution and the physical medical institution shall specify rights and obligations between parties on areas including medical

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## REGULATORY OVERVIEW

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services, information security, and privacy protection through agreements. Moreover, Internet hospital shall adopt information security protection measures for Level 3 information system in accordance with relevant information security laws and regulations, including completion of filings with local public security authorities. Doctors can provide follow-up diagnosis services through Internet hospital only for patients that have been diagnosed with certain common diseases or chronic diseases, unless the patients are in physical hospitals and the doctors in the physical hospital invites other doctors to provide diagnosis services through Internet hospital. The operation of Internet hospital shall also comply with Administrative Regulations on Medical Institutions (《醫療機構管理條例》) and Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》). Additionally, the Basic Standards for Internet Hospital (Trial) (《互聯網醫院基本標準(試行)》) as attached to the Measures for the Administration of Internet Hospital (Trial) sets forth specific requirements for diagnosis and treatment items, departments, personnel, buildings and device and equipment, and internal rules and systems of Internet hospital.

On February 8, 2022, the NHC and the State Administration of Traditional Chinese Medicine jointly published the Implementation Rules for Supervision of Internet Diagnosis and Treatment (the "Implementation Rules") (《互聯網診療監管細則》), which aim to provide clearer regulatory guidance for Internet diagnosis and treatment under existing regulations including the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》) and the Measures for the Administration of Internet Hospital (Trial) (《互聯網醫院管理辦法(試行)》). The Implementation Rules specify requirements on supervision over aspects including medical institutions, medical practitioners, operations, quality and safety of Internet diagnosis and treatment services. For example, (i) provincial health administrations shall set up Internet medical service supervision platforms to supervise local medical institutions providing Internet diagnosis and treatment services, and such medical institutions shall upload certain information such as the Practice License for Medical Institution to the platform; and (ii) Internet hospital adopted as the second name of a physical medical institution shall be examined by local health administration concurrently with the examination of the physical medical institution, and Internet hospital that is independently established on the basis of physical medical institution shall be examined annually by local health administration. In addition, some requirements under the Implementation Rules are not applicable to us as we do not use AI technology to provide consultation services.

Pursuant to the Notice on Effectively Conducting the Internet Medical Service (《浙江省衛生健康委辦公室關於做好互聯網醫療服務工作的通知》) promulgated by the General Office of Zhejiang Health Commission on January 11, 2019, the Internet hospital and the medical institution which is qualified for the online diagnosis may carry out Internet medical service through Zhejiang Internet hospital platform, a unified platform set up by Zhejiang Health Commission. Physical medical institution which establishes an online medical service platform on its own or through cooperation with a third-party institution, shall set up data interface with the Zhejiang Internet hospital platform.

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On October 16, 2019, the Health Commission of Liaoning Province promulgated the Announcement on Matters Concerning Launching the Internet Medical Service Supervision Platform of Liaoning Province (《遼寧省互聯網醫療服務監管平台上線運行公告》) (the "Liaoning Announcement"), which details the requirements of data connection and information security of Internet hospital. Pursuant to the Liaoning Announcement, each Internet hospital in Liaoning shall connect to the provincial supervision platform on Internet medical service and ensure the accuracy and completeness of the healthcare service data uploading to the Provincial Supervision Platform. The Internet Hospital shall strictly comply with the relevant laws and regulations in the PRC on information security and confidentiality of medical data, and appropriately store patients' information, and shall not illegally trade or disclose patients' information.

### Medical Institutions

According to the Administrative Regulations on Medical Institutions (Revised in 2016), hospitals, health centers, sanatoriums, out-patient departments, clinics, health clinics, health posts (rooms) and first aid stations are medical institutions. The health administrative departments of the local people's governments at or above the county level shall be responsible for the supervision and administration of the medical institutions within their respective administrative regions. The establishment of medical institutions by entities or individuals shall be subject to the examination and approval of the health administrative department of the local people's governments at or above the county level and obtain the approval for establishment of medical institutions. Furthermore, the practice of medical institutions shall complete the registration and obtain Practicing License for Medical Institution (醫療機構執業許可證). Where the practicing is without authorization or obtaining the Practicing License for Medical Institution, the health administrative department of the people's government at or above the county level must cease its practicing activities and confiscate the illegal incomes, medicines and medical devices in accordance with the law, and it can be imposed fines less than RMB10,000 in light of the circumstances. Medical institutions must conduct medical diagnosis and treatment activities in accordance with registered and approved subjects and shall not employ non-medical technical personnel in medical and health technical work. The Practicing License for Medical Institution is subject to periodic examinations and verifications by registration authorities pursuant to the Administrative Measures for Verification of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》).

### License for Radiotherapy

According to Administrative Measures on the Radiotherapy (《放射診療管理規定》), which was promulgated by the MOH on January 24, 2006 and amended on January 19, 2016 by NHFPC, medical institutions engaged in the radio diagnosis and radiotherapy shall have conditions corresponding to the radiological diagnosis and treatment services. Prior to carrying out radiodiagnosis and radiotherapy, medical institutions shall submit relevant materials, including but not limited to the Practicing License for Medical Institution or the approval for establishment of medical institutions, the list of radiodiagnosis and radiotherapy equipment and apply for the License for Radiotherapy (放射診療許可證) issued by the competent public

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health administrative authorities. Medical institutions shall be respectively equipped with the corresponding equipment in carrying out different kinds of radiodiagnosis and radiotherapy. After obtaining the License for Radiotherapy, medical institutions shall undertake registration of the relevant diagnosis and treatment items with health administrative and registration authorities, which issued the Practicing License for Medical Institution. The License for Radiotherapy and the Practicing License for Medical Institution shall be verified at the same time.

### **Radiation Safety License**

According to Regulations on the Safety and Protection of Radioisotopes and Radiation emitting Devices (《放射性同位素與射線裝置安全和防護條例》), which was promulgated by the State Council on September 14, 2005 and last amended on March 2, 2019, and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》), which was promulgated by the State Environment Protection Administration on January 18, 2006, last amended on January 4, 2021 by the Ministry of Environmental Protection and Ministry of Ecology and Environment respectively, any entity conducts activities of production, sale, and use of radioactive isotopes and radial equipment within the territory of PRC shall obtain the Radiation Safety Licenses (輻射安全許可證).

### **Medical Insurance and Medical Liability Insurance for Urban Employees**

According to the Interim Measures for the Administration of Medical Insurance Designated Medical Institutions and the Provision of Basic Medical Insurance for Urban Employees (《城鎮職工基本醫療保險定點醫療機構管理暫行辦法》), which was promulgated by the Ministry of Labor and Social Security on May 11, 1999, to provide medical services to urban employees with basic medical insurance, medical institutions shall obtain the license for qualifying as a designated medical institution. However, pursuant to the Decision of the State Council on Canceling the First Batch of 62 Items Subject to Administrative Examination and Approval of Local Governments Designated by the Central Government (《國務院關於第一批取消62項中央指定地方實施行政審批事項的決定》), which was promulgated by the State Council on October 11, 2015 and the Guiding Opinions of the Ministry of Human Resources and Social Security on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源和社會保障部關於完善基本醫療保險定點醫藥機構協議管理的指導意見》) promulgated on December 2, 2015, the license for qualifying as a designated medical institution to provide medical service to urban employees with basic medical insurance was cancelled. Agencies and the medical institutions should strictly comply with the stipulations in the service agreement and perform the agreement seriously. The defaulting party shall be held liable to the violations of the agreement.

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### Patient Diagnosis Service

According to the Measures for the Administration of Internet Diagnosis and Treatment (Trial), Internet diagnosis and treatment activities shall be provided by the medical institutions that have obtained a “Practicing License for Medical Institution”, and the Internet-based diagnosis services provided by a medical institution shall be consistent with its diagnosis subjects. Physicians and nurses carrying out Internet diagnosis and treatment activities shall be able to be found in the national electronic registration system of physicians and nurses. A medical institution shall conduct electronic real-name verification for the medical staff members carrying out Internet diagnosis and treatment activities.

According to the Measures for the Administration of Internet Hospital (Trial), Internet hospital must inform the patients of the risks and obtain their consents. When a patient receives medical treatment in a physical medical institution and the physician receiving such patient invites other physicians to hold group consultation of physicians through the Internet hospital, the physicians attending the group consultation may issue diagnosis opinions and a prescription; and when a patient does not receive medical treatment in a physical medical institution, a physician may only provide subsequent visits for a patient of some common diseases and chronic diseases through the Internet hospital. Internet hospital may provide contract signing service for family doctors. When a patient’s condition changes or there are other circumstances under which online diagnosis and treatment services are inappropriate, the physician shall direct the patient to receive medical treatment in a physical medical institution. Internet diagnosis and treatment activities shall not be carried out for any patient receiving initial diagnosis.

According to the Interim Provisions of Management of Physical Examination (《健康體檢管理暫行規定》), which was promulgated by the MOH on August 5, 2009 and came into effect on September 1, 2009, the registration authority shall examine and assess the medical institutions, if the medical institution is eligible for conducting physical examination, permission shall be issued and registration shall be added to remarks column of the counterpart of the Practicing License for Medical Institution.

### Medical Practitioners

On June 26, 1998, the Standing Committee of the National People’s Congress (the “SCNPC”) issued the Law on Licensed Medical Practitioners of the People’s Republic of China (the “Licensed Medical Practitioners Law”) (《中華人民共和國執業醫師法》), effective on May 1, 1999, and amended on August 27, 2009. According to the Licensed Medical Practitioners Law, when taking medical, preventive or healthcare measures and when signing relevant medical certificate, the licensed medical practitioners shall conduct diagnosis and investigation personally and fill out the medical files without delay as required. No medical practitioners may conceal, forge or destroy any medical files or the relevant data. The Licensed Medical Practitioners Law was repealed by the Law on Doctors of the PRC (中華人民共和國醫師法), which was issued by the SCNPC on 20 August 2021 and came into effective on 1 March 2022.

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On November 5, 2014, the National Health and Family Planning Commission of PRC (the "NHFPC", currently known as the NHC), the National Development and Reform Commission (the "NDRC"), the Ministry of Human Resources and Social Security, the State Administration of Traditional Chinese Medicine, and the China Insurance Regulatory Commission (currently known as the National Administration of Financial Regulation), jointly issued Several Opinions on Promoting and Standardizing Multi-Place Practice of Physicians (《推進和規範醫師多點執業的若干意見》), which puts forward to simplify the registration procedure of the multiple place practice and proposes the feasibility of exploring the "record management". According to Administrative Measures for the Registration of Medical Practitioners (《醫師執業註冊管理辦法》), promulgated by the NHFPC on February 28, 2017, effective on April 1, 2017, medical practitioners shall obtain the Practice Certificate for Medical Practitioners (醫師執業證書) to practice upon registration. Person who fails to obtain the Practice Certificate for Medical Practitioners shall not engage in medical treatment, prevention and healthcare activities. A medical practitioner who practices for multiple institutions at the same place of practice shall determine one institution as the main practicing institution where he or she practices, and apply for registration to the administrative department of health and family planning approving the practice of such institution; and, for other institutions where the medical practitioner is to practice, respectively apply for recordation to the administrative health and family planning authority approving the practice of such institution, indicating the names of the institutions where he or she is to practice. If a medical practitioner practices in an additional institution not at the registered place of practice, he or she shall apply for registering such addition to the administrative health and family planning authority approving the practice of such institution.

According to Administrative Measures for the Nurse Practice Registration (《護士執業註冊管理辦法》), nurses may undertake nursing work at the registered place of practice after obtaining the Practice Certificate for Nurses upon practice registration. Furthermore, pursuant to Implementing Measures of Zhejiang Province for the Regional Registration of Nurses (《浙江省護士區域註冊實施辦法》), when a nurse practices in any medical institution within the administrative region of Zhejiang Province, the practice registration is valid in the whole province, and the nurse may practice in several medical institutions within the administrative region of Zhejiang Province upon filing with government authorities.

### **Prescription Management**

For the purpose of regulating the administration of prescriptions, the Measures for the Administration of Prescriptions (《處方管理辦法》) (the "Measures") was released by the MOH on February 14, 2007 and as effective from May 1, 2007. Under the Measures, a certified medical practitioner shall obtain the corresponding prescription right at the registered practice place and the certified medical practitioner shall issue prescriptions according to the requirements of medical treatment, disease prevention, healthcare, and subject to the treatment standards and drug instructions.



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### REGULATIONS RELATING TO INTERNET PHARMACEUTICAL TRANSACTION SERVICES

According to Interim Provisions on the Examination and Approval of Internet Pharmaceutical Transaction Services (《互聯網藥品交易服務審批暫行規定》), promulgated by the China Food and Drug Administration (the "CFDA", now known as National Medical Productions Administration, or the "NMPA") on September 29, 2005 and effective since December 1, 2005, the enterprises engaging in the internet pharmaceutical transaction service shall be subject to examination and acceptance, and obtain the Qualification Certificate for Providing Internet Pharmaceutical Transaction Services (互聯網藥品交易服務機構資格證書). The CFDA is in charge of examination and approval of the services provided for Internet pharmaceutical transactions among drug manufacture enterprises, drug distribution enterprises and medical institutions, and the drug administrative departments at provincial level shall conduct the examination and approval of the Internet pharmaceutical transaction services provided by drug manufacture enterprises and drug wholesales enterprises to third-party enterprises through their own websites, as well as by enterprises to individual consumers. After obtaining the Qualification Certificate for Providing Internet Pharmaceutical Transaction Services, the applicant shall obtain the permit for operation of telecommunications services as required by the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "Internet Measures"), or file with competent authorities. According to the Decision on the Cancellation of the Third Batch of Items Subject to Administrative Permission by Local Governments Designated by the Central Government (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), promulgated by the State Council on January 12, 2017, except for the examination and approval of third-party platform, all the examination and approval of Internet pharmaceutical transaction service enterprises conducted by drug administrative departments at provincial level have been cancelled. According to the Decision on the Cancellation of Various Items Subject to Administrative Permission (《國務院關於取消一批行政許可事項的決定》) by the State Council, on September 22, 2017, the CFDA no longer accepts applications for examination and approval of Internet pharmaceutical transaction service enterprises engaging the business as the third party platform.

In August 2019, the SCNPC promulgated the new Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), which, among others, provides that online pharmaceutical transaction platform providers shall file with the drug administration of the people's government of the province, autonomous region or municipality directly under the Central Government where it is located, in accordance with the regulations issued by NMPA. The Regulations for the Implementation of the Drug Administration Law (《藥品管理法實施條例》), promulgated by the State Council in August 2002, last amended in March 2019, provides that, among others, the administrative measures for Internet pharmaceutical transaction services shall be formulated by the NMPA together with other relevant departments under the State Council.

In August 2022, NMPA published the Measures for the Supervision and Administration of Online Pharmaceutical Transactions (《藥品網絡銷售監督管理辦法》) which provide explicit guidance for online pharmaceutical transaction platform providers like us.

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### REGULATIONS RELATING TO ONLINE PHARMACEUTICAL INFORMATION SERVICES

According to the Measures Regarding the Administration of Pharmaceutical Information Service over the Internet (《互聯網藥品信息服務管理辦法》), promulgated by State Food and Drug Administration (the “SFDA”, currently known as the NMPA) on July 8, 2004 and amended on November 17, 2017, the Internet pharmaceutical information service refers to the activities of providing pharmaceutical information (including information of medical devices) to users through the Internet, and where any website intends to provide Internet pharmaceutical information services, it shall, prior to applying for an operation permit from or filing with the competent telecom authorities, file an application with the provincial drug administration for a Qualification Certificate for Providing Internet Pharmaceutical Information Services. Pursuant to the Measures Regarding the Administration of Pharmaceutical Information Service over the Internet, the Internet pharmaceutical information services are classified into two categories, namely, for-profit services and non-for-profit services. For-profit service refers to activities which provide online users with paid pharmaceutical information and other services, while non-for-profit service refers to activities which provide online users with public and shared pharmaceutical information and other services free of charge. The information relating to pharmaceuticals shall be accurate and scientific in nature, and their provision shall comply with the relevant laws and regulations. No product information of stupeficient, psychotropic drugs, medicinal toxic drugs, radiopharmaceutical, detoxification drugs and pharmaceuticals made by medical institutions shall be distributed on the website. In addition, advertisements relating to pharmaceuticals (including medical devices) shall be approved by the NMPA or its competent branches, and such advertisements shall specify the approval document number.

### REGULATIONS RELATING TO MEDICAL DEVICES

#### Production and Operation of Medical Devices

In the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. Pursuant to the Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the “Medical Devices Regulation”) promulgated by the State Council on January 4, 2000, last amended on February 9, 2021, which came into effect on June 1, 2021, Class I medical devices are required to be filed with government authorities, while Class II and Class III devices are required to complete registration procedures. The revised Medical Devices Regulation further classifies the producer and operator of Class II and Class III medical devices as the Registrant Entity, while the producer and operator of Class I medical devices as the Recordation Entity.

To engage in production of Class I medical devices, manufacturers shall file the production with the local branches of NMPA. To engage in production of Class II or III medical devices, manufacturers shall apply for the Medical Device Production License (醫療器械生產許可證) to the NMPA or its local branches. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the competent local NMPA. To engage in the operation of Class III medical devices, an operating enterprise shall apply for the Medical Device Operation License (醫療器械經營許可證).

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In the event that a business operator distributes Class III medical devices without a Medical Device Operation License or distributes Class II or Class III medical devices that are not registered with the NMPA or its local branches, or a manufacturer produces Class II or Class III medical devices without a Medical Device Production License or produces Class II or Class III medical devices that are not registered with the NMPA or its local branches, the competent drug administration may impose fines, confiscate illegal proceeds, such as illegally produced or operated medical devices, and tools, equipment and other materials that are used for the illegal production or operation, and, in serious circumstances, the business operation of such operator will be suspended, and the Medical Device Operation License may be revoked, and any new application for a medical device permit filed by the relevant liable person or the business operator will not be accepted within ten years.

The Measures on the Supervision and Administration of the Business Operations of Medical Devices (《醫療器械經營監督管理辦法》) (the "Measures on Medical Devices"), which was promulgated by CFDA on July 30, 2014 and last amended on March 10, 2022, applies to any business activities of medical devices conducted within the territory of the PRC as well as the supervision and administration thereof. Pursuant to the Measures on Medical Devices, CFDA shall be responsible for the supervision and administration of nationwide business operations concerning medical devices.

### Online Sales of Medical Devices

On December 20, 2017, the CFDA promulgated the Administration and Supervision Measures of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》) (the "Online Medical Devices Sales Measures"), which became effective on March 1, 2018. According to the Online Medical Devices Sales Measures, enterprises engaged in online sales of medical devices must be medical device manufacture and operation enterprises with medical devices production licenses or operation licenses or have been filed for record in accordance with laws and regulations, unless such licenses or record-filing is not required by laws and regulations. Pursuant to the Online Medical Devices Sales Measures, enterprises engaged in online sales of medical devices through its own website, and third-party platforms providing online medical devices transaction services shall both obtain the Qualification Certificate for Internet Pharmaceutical Information Services. Either enterprises engaging in online sales of medical devices or enterprises as third-party platforms providing medical devices online transaction services shall take technical measures to ensure the data and materials of medical devices sales online are authentic, completed and retrospective, for example, the records of sales information of medical devices shall be kept for two years after the valid period of the medical devices, and for no less than five years in case of no valid period, or be kept permanently if such medical devices are implanted medical devices. For the enterprises engaged in online sales of medical devices, such enterprises shall display its medical device production and operation license or record-filing certificate on visible place on its homepage, and the information of the medical devices published on the website shall be consistent with the related contents registered or filed for record; in addition, the business scope of such enterprise shall not exceed the scope of its production and operation license or the scope filed for record. For the enterprises as third-party platform providing medical devices online transaction services, such enterprises shall be filed for record with the local provincial drug administration, and shall verify the materials submitted by any enterprise applying for entering the platform.

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### **Deployment and Use of Large-scale Medical Equipment**

According to the Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (Trial) (《大型醫用設備配置與使用管理辦法(試行)》) jointly promulgated by the NHC and NMPA on May 22, 2018, the large-scale medical equipment are administered pursuant to the catalogue promulgated by the NHC. Large-scale Medical Equipment are divided into Category A and Category B in the catalog. The large-scale medical equipment of Category A shall be allocated and managed by the NHC and issued with License for Deployment of Large-scale Medical Equipment, while the large-scale medical equipment of Category B shall be allocated and managed by provincial health administrative departments and issued with License for Deployment of Large-scale Medical Equipment. The NHC and provincial health administrative departments shall respectively formulate the implementing rules for the allocation licensing management of Category A and Category B large-scale medical equipment.

### **REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS**

#### **Environmental Protection Law of PRC and Environmental Impact Assessment Law of the PRC**

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project. Pollutant-discharging enterprises, public institutions and other manufacturers and operators shall adopt measures to prevent and treat waste gas, wastewater, waste residue, medical waste, radioactive substances and other pollution and hazards caused by environmental pollution generated in manufacturing, construction or other activities.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, last amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction entity shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "Environmental Impact Assessment Documents") for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction entity is prohibited from commencing construction works.

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### **Regulations on the Management of Medical Waste and the Implementation Measures of the Management of Medical Waste**

According to the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which was promulgated by the State Council on June 16, 2003 and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which was promulgated by the MOH on October 15, 2003 and came into effect on the same day, medical or health institution shall register medical wastes, manage medical wastes under classification and undertake management of duplicate forms for transfer of hazardous waste in accordance with the Catalogue of Classified Medical Wastes (《醫療廢物分類目錄》), and deliver medical wastes to an entity for centralized disposal of medical wastes and licensed by a relevant environment protection administrative department for dispose. Sewage generated by any health institution and excretion of its patients or suspected patients of infectious diseases shall be sterilized in strict accordance with the relevant provisions, and shall not be discharged into sewage disposal systems until the discharging standards are met.

### **REGULATIONS RELATING TO INTERNET SECURITY**

Internet information in China is regulated and restricted from a national security standpoint.

The SCNPC, has enacted the Decisions on Maintaining Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, amended on August 27, 2009, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security of the PRC has promulgated the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》) on December 16, 1997 and the State Council of the PRC has amended it on January 8, 2011 to prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or infringement of the legitimate rights and interests of the state, the society, the community or the citizens. If an Internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may, when necessary, suggest the issuing or approving government agency to revoke its operating license and shut down its websites.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC, or the Cyber Security Law (《網絡安全法》), which became effective on June 1, 2017. The Cyber Security Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cyber Security Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cyber security incidents effectively, prevent illegal and criminal activities, and maintain the integrity,

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confidentiality and usability of network data. On September 14, 2022, the CAC published the Decision of Amending PRC Cybersecurity Law (Draft for Comments) (關於修改《網絡安全法》的決定(徵求意見稿)) (the "Draft Amendment to PRC Cybersecurity Law"), which, among other things, aggravated legal liabilities for violations of cybersecurity obligations and critical information infrastructure operators' obligations. The Draft Amendment to PRC Cybersecurity Law was released for public comment only, and its respective provisions and anticipated adoption or effective date may be subject to change with substantial uncertainty. On June 22, 2007, the Ministry of Public Security, the National Administration of State Secrets Protection, the State Cipher Code Administration and the Information Office of the State Council (repealed) promulgated the Administrative Measures for the Graded Protection of Information Security (信息安全等級保護管理辦法) (the "Measures for the Graded Protection"), effective from June 22, 2007, pursuant to which, graded protection of the state information security shall follow the principle of "independent grading and independent protection". The entities operating the information systems shall determine the security protection grade of the information system pursuant to the Measures for the Graded Protection and the Guidelines for Grading of Classified Protection of Cyber Security (網絡安全等級保護定級指南) (the "Guidelines for Grading"), and report the grade to the relevant department for examination and approval. For an information system determined to be Grade II or above, its operator shall make the record filing with relevant public security departments. Pursuant to the Guidelines for Grading, the grading of the classified protection of the information systems are determined based on two elements, namely what can be affected and how serious the consequences would be, if the information systems are damaged. The Guidelines for Grading stipulate the procedures of the grading and specify the methods to grade the information system, including how to determine what can be affected and the degree of impact. In consistent with the provisions set out in the Guidelines for Grading, the Measures for the Graded Protection stipulate that the security protection grade of an information system may be classified into the following five grades: (i) the Grade I information system, the destruction of which will cause damage to the legitimate rights and interests of citizens, legal persons and other organizations, but will cause no damage to national security, social order or public interests; (ii) the Grade II information system, the destruction of which will cause material damage to the legitimate rights and interests of citizens, legal persons and other organizations or cause damage to social order and public interests, but will not cause damage to national security; (iii) the Grade III information system, the destruction of which will cause material damage to social order and public interests or will cause damage to national security; (iv) the Grade IV information system, the destruction of which will cause particularly material damage to social order and public interests or will cause material damage to national security; and (v) the Grade V information system, the destruction of which will cause particularly material damage to national security. The entities operating information systems shall protect information systems pursuant to the Measures for the Graded Protection and the relevant technical standards and the state departments in charge of the supervision and administration of information security shall supervise and administer the graded protection work conducted by such entities. After the security protection grade of an information system is determined, its operator shall, in accordance with the norms for the administration of the graded protection of state information security and the relevant technical standards, use information technology products that conform to the relevant state provisions and satisfy the requirements on the protection grade

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for the security construction or reconstruction of the information system. In the process of constructing an information system, its operator shall synchronously construct the information security facilities that satisfy the requirements of the protection grade of the information system pursuant to certain technical standards. The entities operating an information system shall also formulate a security management system satisfying the requirements of the protection grade of the information system. After the information system is completed, the operators shall choose an assessment agency to conduct assessment on the security grade status of the information system on a regular basis and also shall conduct self-inspections on the security status of the information system and the implementation of the security protection system and relevant measures on a regular basis.

On November 14, 2021, the CAC publicly solicited comments on the Draft CAC Regulations on Internet Data Security. The Draft CAC Regulations on Internet Data Security covers a wide range of Internet data security issues, including the supervision and management of data security in the PRC, and applies to the situations using networks to carry out data processing activities. It sets out general guidelines covering subjects including protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities of Internet data security. In particular, it requires a data processor to apply to the CAC for cybersecurity review if its listing in Hong Kong affects or may affect national security. As of the date of this document, the Draft CAC Regulations on Internet Data Security had not come into effect and the public comment period of the Draft CAC Regulations on Internet Data Security ended on December 13, 2021.

On December 28, 2021, the CAC announced the Cybersecurity Review Measures, effective from February 15, 2022. Pursuant to the Cybersecurity Review Measures, besides the procurement of network products and services by critical information infrastructure operators, any data processing activities by network platform operators that affects or may affect national security shall be subject to the cybersecurity review as well. In accordance with the Cybersecurity Review Measures, operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市).

Our PRC Legal Advisor, after reviewing relevant materials provided by us and based on our confirmation on certain facts relating to our operation, is of the view that as of the Latest Practicable Date, the measures taken by us in terms of Internet security, data security and personal information protection are not in violation of the Draft CAC Regulations on Internet Data Security in all material aspects, assuming such regulation is implemented in its current form. Therefore, our Directors do not foresee any material impediment to comply with the Draft CAC Regulations on Internet Data Security in all material aspects, assuming such regulation is implemented in its current form.

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On February 7, 2022, our PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center, which is delegated by the CAC to accept applications for cybersecurity review. During the consultation, our PRC Legal Advisor informed the staff regarding our proposed [REDACTED] plan and the staff confirmed that currently we need not to apply for the cybersecurity review. As of the Latest Practicable Date, we had not received any notice from competent government authorities indicating that we had been or might be identified as critical information infrastructure operators, which is one of the conditions that may lead to the active application for cybersecurity review pursuant to the Cybersecurity Review Measures; in addition, we had not received any notice from competent government authorities requiring us to actively apply for the cybersecurity review, nor had us been fined, investigated or imposed any other regulatory measures due to failure to actively make such application. Further, our PRC Legal Advisor did not identify those factors expressly set out in Article 10 of the Cybersecurity Review Measures in our business operation in the PRC or would likely to be triggered by the [REDACTED], after its due diligence conducted on our Internet security, data security and personal information protection, as of the Latest Practicable Date. Based on the foregoing, our PRC Legal Advisor is of the view that as of the Latest Practicable Date, pursuant to the current effective PRC laws and regulations, the [REDACTED] and our current business operations in the PRC do not trigger active application for cybersecurity review as expressly required in the Cybersecurity Review Measures, however, substantial uncertainties still exist with respect to the evolving regulatory regime. See "Risk Factors – Risks Relating to Our Business and Industry – The improper use, disclosure or storage of data over our cloud hospital platforms could harm our reputation as well as have a material adverse effect on our business, financial condition, results of operations and prospects." Based on the foregoing, our Directors not foresee the Draft CAC Regulations on Internet Data Security and Cybersecurity Review Measures would have a material adverse impact on our business operations or the [REDACTED], assuming Draft CAC Regulations on Internet Data Security is implemented in its current form.

In response to the regulatory requirements, we have implemented comprehensive measures to ensure continuous regulatory compliance and we will continue to pay close attention to the legislations and regulatory developments in data security and comply with the latest regulatory requirements. There had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding against us that will materially and adversely affect our business operations.

### REGULATIONS RELATING TO PERSONAL INFORMATION OR DATA PROTECTION

In December 2011, the Ministry of Industry and Information Technology (the "MIIT") issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provides that an Internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, Internet information service



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providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users’ personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users’ personal information, and in case of any leak or possible leak of a user’s personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in December 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT in July 2013, any collection and use of any user personal information must be subject to the consent of the user, and abide to the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws.

In addition, pursuant to Cyber Security Law of the PRC, the “personal information” refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals’ personal information including but not limited to: individuals’ names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc. The Cyber Security Law also provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of key information infrastructure shall store the personal information and important data collected and produced during their operations in the PRC, within the territory of the PRC. On August 22, 2019, the Cyberspace Administration of China (the “CAC”) issued the Provisions on the Cyber Protection of Children’s Personal Information (《兒童個人信息網絡保護規定》), which became effective on October 1, 2019 and apply to the collection, storage, use, transfer and disclosure of the personal information of the minors under the age of 14, or the Children, via the Internet. On March 6, 2020, the PRC Standardization Administration promulgated the Information Security Technology – Personal Information Security Guidelines (信息安全技術-個人信息安全規範) (the “Personal Information Security Guidelines”), which became effective on October 1, 2020 and replaced the former Personal Information Security Guidelines

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promulgated in 2017. The Personal Information Security Guidelines are not laws but voluntary national standards widely cited by regulatory authorities as reference in their enforcement activities. Pursuant to the Personal Information Security Guidelines, after collecting the personal information, the controller of the personal information shall immediately conduct the data de-identification, implement the technical and administrative measures to store separately the de-identified data and the data which may be used to recover the identity of the persons.

Pursuant to the Ninth Amendment to the Criminal Law (《刑法修正案(九)》), issued by the SCNPC in August 2015, which became effective in November 2015, any Internet service provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective as of June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the National People's Congress adopted the Civil Code of the PRC (《中華人民共和國民法典》) (the "Civil Code"), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

Pursuant to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) released on November 20, 2013, and effective from January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法(試行)》) on May 5, 2014, which refers the medical health service information as the population healthcare information, and emphasizes that such information cannot be stored in offshore servers, and the responsible institutions shall not host or lease offshore servers. Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), promulgated by the NHC on July 12, 2018, the medical institutions should establish relevant safety management systems, operation instructions and technical specifications to safeguard the safety of healthcare big data generated in the process of health management service or prevention and cure service of diseases. And it also stipulates that such healthcare big data should be stored in onshore servers and shall not be provided overseas without safety assessment.

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On June 21, 2016, the General Office of the State Council promulgated the Guiding Opinions on Promoting and Regulating the Application and Development of Healthcare Big Data (國務院辦公廳關於促進和規範健康醫療大數據應用發展的指導意見), which stipulates that the big data on health and medical treatment is a significant fundamental strategic resource and the State is to promote the sharing and disclosure of big data resources on health and medical treatment, encourage medical and health institutions to promote the collection and storage of big data on health and medical treatment, enhance application support and technical support for operation and maintenance, unblock the data resource sharing channels, accelerate the construction and perfection of an underlying database focusing on electronic health records, electronic medical records, and electronic prescriptions of residents, deepen the application of big data on health and medical treatment in all respects, and a mechanism for sharing healthcare big data among various governmental authorities, including health authorities, shall be established. The Data Security Law promulgated by the SCNPC on June 10, 2021 stipulates the measures to support and promote data security and development, to establish and optimise the national data security management system, and to clarify organisations' and individuals' responsibilities in data security. The Data Security Law established a tiered data protection system in terms of their importance to economic development as well as the potential damages to national security, public interests and the legitimate rights of individuals and entities by any illegal data activities. Data categorised as "important data", which was not defined under the Data Security Law but will be determined by local regulators in a form of "important data catalogue", shall be treated with higher level of protection. While it focuses largely on data protection from a national security and sovereignty perspective, and provides mostly generic provisions without specific operational rules and implementing mechanisms, the Data Security Law does require processors of important data to appoint a "data security officer" and a "management department" to take charge of the data security responsibilities. In addition, processors of important data are required to periodically evaluate the risk of its data activities and send risk assessment report to relevant supervising authorities. The Data Security Law became effective from September 1, 2021. "Important data catalogues" are yet to be issued by local regulators.

The Personal Data Protection Law of the PRC (中華人民共和國個人信息保護法) (the "The Personal Data Protection Law"), released by the NPC in August 2021 and effective from November 1, 2021, stipulates the scope of personal information and establishes rules for processing personal information onshore and offshore. The Personal Data Protection Law proposes a slew of specific personal information protection requirements, including but not limited to more specific inform and consent requirements in various contexts, strengthened and classified obligations of personal information processors, and more limitations and rules on process of personal information.

Accompanied with the promulgation of series of laws and regulations related to Internet security and data protection, administrations including MIIT and CAC imposed measures on batches of Apps for their encroach on the rights and interests of users in violation of applicable laws and regulations in recent years, and with higher frequency in 2020 and 2021. These measures including order of rectification and order for temporary removal from App stores. Illegal collection of personal information, forced, frequent and excessive access by Apps and illegal use of personal information are the top reasons for rectification and suspension of Apps.

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Our PRC legal advisor is of the view that these administrative measures indicate a trend of stricter supervision and administration on Internet and data security compliance from government agencies, which may impose higher level of compliance requirement on Internet and data security of the Group, on the one hand, and implement the newly promulgated laws and regulations under the regime of Cyber Security Law and Data Security Law and to some extent, provide a clearer guidance to the Group for continued compliance with legal requirements on Internet and data security, on the other hand.

### REGULATIONS RELATING TO FOREIGN INVESTMENT

#### Foreign Investment Law and its Implementation Rules

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (鼓勵外商投資產業目錄) (the “Encouraging Catalog”), and the Special Management Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the “Negative List”), which were promulgated and are amended from time to time by the Ministry of Commerce of the PRC (the “MOFCOM”) and NDRC. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in the PRC, classifying businesses into three categories with regard to foreign investment: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Encouraging Catalog and the Negative List are generally deemed as falling into a fourth category “permitted”. The NDRC and MOFCOM promulgated the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “2022 Encouraging Catalog”), on October 26, 2022 with effect from January 1, 2023, and the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “2021 Negative List”), on December 27, 2021, to replace the previous encouraging catalog and negative list thereunder.

Pursuant to the 2021 Negative List, a domestic enterprise engaged in activities in any field prohibited from foreign investment under the 2021 Negative List shall be subject to review and approval by the relevant competent authorities for overseas listing and trading of shares, and any overseas investor in the enterprise shall not participate in the operation and management of the enterprise, and the equity ratio of overseas investors in the enterprise shall be governed mutatis mutandis by the relevant regulations on the management of domestic securities investments made by overseas investors.

On March 15, 2019, the NPC promulgated the Foreign Investment Law (《外商投資法》) (the “FIL”), which came into effect on January 1, 2020 and replaced the trio of laws regulating foreign investment in the PRC, namely, the PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法》) and the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》). The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

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According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list.” The FIL provides that foreign invested entities operating in foreign “restricted” or “prohibited” industries will require entry clearance and other approvals. The FIL does not comment on the concept of “de facto control” or contractual arrangements with consolidated affiliated entities, however, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. In addition, a foreign investment information reporting system shall be established, and foreign investors or foreign-funded enterprises shall submit the investment information to competent departments for commerce through the enterprise registration system and the enterprise credit information publicity system.

Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law (《中華人民共和國公司法》) and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementation Rules to the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

Along with the implementation of FIL and its Implementation Rules, the MOFCOM and State Administration for Market Regulation jointly promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the “Foreign Investment Reporting Measures”) on December 30, 2019. The Foreign Investment Reporting Measures came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-investment Enterprise. Under the Foreign Investment Reporting Measures, the requirement of record-filing with or approval from the MOFCOM or its local branches is replaced with a reporting requirement, regardless of whether such foreign investment is subject to PRC government’s special entry administration measures. Pursuant to the Foreign Investment Reporting Measures, foreign investors or foreign-invested enterprises shall report relevant information to the MOFCOM or its local branches through the online enterprise registration system when the foreign investment takes place or the reported information changes.

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### Restrictions on Foreign Investment in Medical Institutions

According to Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (Order No. 346 of the State Council) (“**the Foreign Investment Orientation Provisions**”), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment shall fall into four categories, namely, encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment shall be listed in the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) which may be revised and promulgated by the relevant departments of the State Council from time to time, while any project not listed in the catalog is deemed to be a permitted project for foreign investment. Pursuant to the Catalog of Industries for Guiding Foreign Investment (2011 version) (《2011年外商投資產業指導目錄》) (the “2011 Catalog”) which was promulgated on December 24, 2011 and came into effect on January 30, 2012, medical institutions are not listed in restricted or prohibited category.

However, the Catalog of Industries for Guiding Foreign Investment (2015 version) (《2015年外商投資產業指導目錄》) which took effect from April 10, 2015 has replaced the 2011 Catalog and categorized medical institution as an industry that belongs to the restricted category for foreign investment since April 10, 2015. Pursuant to the 2015 Catalog, foreign investment in medical institutions shall be restricted to the form of sino-foreign cooperation or joint venture. The Catalog of Industries for Guiding Foreign Investment (2017 version) (《2017年外商投資產業指導目錄》) which took effect from July 28, 2017 has replaced the 2015 Catalog and continued the foreign investment restriction for medical institutions under 2015 Catalog. The Special Management Measures (Negative List) for the Access of Foreign Investment (2018 Version) (《外商投資准入特別管理措施(負面清單) (2018年版)》) (the “2018 Negative List”) has replaced the special management measures in the Catalog of Industries for Guiding Foreign Investment and stipulated that, other than the more preferential measures for the qualified investors pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement (《內地與香港關於建立更緊密經貿關係的安排》) and its supplements, foreign investment in medical institutions shall be restricted to the form of sino-foreign cooperation or joint venture. The Special Management Measures (Negative List) for the Access of Foreign Investment (2019 Version) (《外商投資准入特別管理措施(負面清單) (2019年版)》) reiterates such restriction in 2018 Negative List. The 2020 and 2021 Negative List stipulate that other than the more preferential measures for the qualified investors pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement and its supplements, foreign investment in medical institutions shall be restricted to the form of sino-foreign joint venture.

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), which was jointly promulgated by the MOH and the Ministry of Foreign Trade and Economic Cooperation on May 15, 2000 and came into effect on July 1, 2000, and its Supplementary Provisions allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including the total investment sum shall not be less than RMB20 million and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative medical institutions shall be subject to approval by relevant authorities.

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### Restrictions on Foreign Investment in Value-added Telecommunications Services

Pursuant to the 2021 Negative List, foreign investment in value-added telecommunications services is restricted, and the percentage of foreign ownership cannot exceed 50% (except for e-commerce, domestic multi-party communications, store-and-forward and call center).

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises requires foreign-invested value-added telecommunications enterprises in China to be established as sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business. The State Council recently revised the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) with effect from May 1, 2022 (the “2022 FITE Regulations”). The 2022 FITE Regulations, among others, no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to have a good track record and experience in operating a value-added telecommunications business. The 2022 FITE Regulations prescribes that foreign investors are not allowed to hold more than 50% of the equity interests of a company engaged in value-added telecommunications business, except as otherwise stipulated by the state, and that a foreign-invested enterprise must be approved by the MIIT to engage in value-added telecommunications business. In July 2006, the MIIT released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “MIIT Notice”), pursuant to which, domestic telecommunications enterprises are prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MIIT Notice, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

### REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “Telecommunications Regulations”), promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the

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commencement of their operations. The Telecommunications Regulations categorize telecommunications services into infrastructure telecommunications services and value-added telecommunications services. Pursuant to the Telecommunications Regulations, operators of value-added telecommunications services (增值電信業務) (the "VATS"), must first obtain a Value-added Telecommunications Business Operating License (增值電信業務經營許可證) (the "VATS License"), from the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (the "MIIT"), or its provincial level counterparts. On July 3, 2017, the MIIT promulgated the Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which set forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations on February 21, 2003 and amended by the MIIT on December 28, 2015 and June 6, 2019, the Internet information services and the online data processing and transaction processing services fall within the value-added telecommunications services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "ICP Measures"), promulgated by the PRC State Council (國務院) on September 25, 2000 and most recently amended on January 8, 2011, set forth more specific rules on the provision of internet information services. According to ICP Measures, any company that engages in the provision of commercial internet information services shall obtain a sub-category VATS License for Internet Information Services (互聯網信息服務增值電信業務經營許可證) (the "ICP License"), from the relevant government authorities before providing any commercial internet information services within the PRC. Pursuant to the above-mentioned regulations, "commercial internet information services" generally refer to provision of specific information content, online advertising, web page construction and other online application services through internet for profit making purpose.

### REGULATIONS RELATING TO INTERNET ADVERTISING

The Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) provides that the Internet information service providers shall not publish medical, drugs, medical devices or dietary supplement advertisements in disguised form such as introduction of healthcare and wellness knowledge.

The Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) (the "Internet Advertising Measures") regulating the Internet-based advertising activities, were adopted by the SAIC on July 4, 2016. According to the Internet Advertising Measures, Internet advertisers are responsible for the authenticity of the advertisements content. Publishing and circulating advertisements through the Internet shall not affect the normal use of the Internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission.



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Pursuant to the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which were promulgated by the State Administration for Market Regulation on December 24, 2019, effective on March 1, 2020, an enterprise seeking to advertise its drugs, medical devices, dietary supplement or food for special medical purpose must apply for an advertisement approval number. The validity period of the advertisement approval number concerning a drug, medical device, dietary supplement or food for special medical purpose shall be consistent with that of the registration certificate or record-filing certificate or the production license of the product, whichever is the shortest. Where no validity period is set forth in the registration certificate, record-filing certificate or the production license of the product, the advertisement approval number shall be valid for two years. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval shall be obtained.

### REGULATIONS RELATING TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

Mobile Internet applications (the “APPs”) and the Internet application store (the “APP Store”) are especially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the “APP Provisions”), which was last amended in June 2022 and with effect from August 2022. The APP Provisions regulate the APP information service providers and the APP distribution service providers, while the CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of APP information content at the nationwide or local respectively. The APP information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfill their obligations provided by the APP Provisions.

### REGULATIONS RELATING TO FOOD SAFETY

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the “Food Safety Law”), and the Implementation Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), or the Implementation Regulations, with the purpose of guaranteeing food safety and safe guarding the health and life safety of the public, the PRC sets up a system of the supervision, monitoring and appraisal on the food safety risks, compulsory adoption of food safety standards. To engage in food production, sale or catering services, the business operators shall obtain a license in accordance with the laws and regulations. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as dietary supplement, special formula foods for medical purposes and infant formula.

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Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated by CFDA on August 31, 2015 and amended on November 17, 2017, regulates the food operation licensing activities, strengthens supervision and management of food operation, and ensures food safety. Food operation operators shall obtain the food operation license for each business venue where they engage in food operation activities. The food operation license is valid for five years.

### REGULATIONS ON IMPORT AND EXPORT OF GOODS

Pursuant to the Provisions of Customs of the PRC on the Administration of Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) with effect from January 1, 2022, a customs declaration entity which provides customs declaration services shall file with the customs office.

### REGULATIONS RELATING TO CONSUMER PROTECTION AND PRODUCT QUALITY

#### Consumers Protection

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) promulgated by SCNPC, which was latest amended on October 25, 2013 and effective on March 15, 2014, sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators to criminal penalties. Where the operators of the online trading platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages to the providers of the online trading platforms. Operators of online trading platforms that clearly knew or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

#### Product Quality

The Product Quality Law (《產品質量法》), which effective from December 29, 2018, applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and

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safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury or damage of property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

### REGULATIONS RELATING TO ANTI-MONOPOLY IN CHINA

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》), which took effect on August 1, 2008 and was last amended in June 2022 with effect from August 1, 2022, prohibits monopolistic conduct such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

A business operator with a dominant market position may not abuse its dominant market position to conduct acts such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Penalties for the violations of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year). On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), which took effect on September 1, 2019 and was further amended in March 2022, to further prevent and prohibit the abuse of dominant market positions. The State Administration for Market Regulation, or the SAMR, promulgated on February 7, 2021 the Guideline on Anti-Monopoly of Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) (the “Platform Economy Anti-Monopoly Guideline”), which is effective upon the date of promulgation, aiming to improve anti-monopoly administration on online platforms. According to the Platform Economy Anti-Monopoly Guideline, the term “platform” refers to a form of business organization that enables interdependent two or multilateral entities to interact under the rules provided by a specific medium through network information technology, to jointly create value. Antimonopoly law enforcement authorities shall adhere to the following principles when carrying out anti-monopoly supervision and administration over the platform economy sector: to protect fair market competition, to achieve efficient supervision pursuant to law, to stimulate innovation and to safeguard legitimate rights and interests of various market players.

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### REGULATIONS RELATING TO TAXATION

#### Enterprise Income Tax

On March 16, 2007, the NPC promulgated the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was latest amended on December 29, 2018, and the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax (《企業所得稅法實施條例》) which were latest amended on April 23, 2019 (collectively, the "EIT Law"). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

#### Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and latest amended on November 19, 2017, and the Implementation Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993 and latest as amended on October 28, 2011, and became effective on November 1, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (the "VAT").

According to the Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the "Circular 36"), which was promulgated by the MOF and the SAT on March 23, 2016 and came into effective on May 1, 2016, medical services provided by medical institutions shall be exempted from VAT.

On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Announcement 39, to further slash value-added tax rates. According to the Announcement 39, (i) for general VAT payers' sales activities or imports that are subject

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to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement 39 came into effect on April 1, 2019 and shall prevail in case of any conflict with existing provisions.

### Dividend Withholding Tax

Pursuant to the EIT law, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), or Circular 81, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, the Administrative Measures for Non-Resident Taxpayer to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》), or SAT Circular 60, which became effective in November 2015, require that non-resident enterprises which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to ongoing administration by the tax authorities. In the case where the non-resident enterprises do not apply to the withholding agent to claim the tax treaty benefits, or the materials and the information stated in the relevant reports and statements provided to the withholding agent do not satisfy the criteria for entitlement to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of the PRC tax laws. The SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), the SAT Circular 35 on October 14, 2019, which became effective on January 1, 2020. The SAT Circular 35 further simplified the procedures for enjoying treaty benefits and replaced the SAT Circular 60. According to the SAT Circular 35, no approvals from the tax authorities are required for a

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non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular on Several Issues regarding the "Beneficial Owner" in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), or Circular 9, which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties.

### REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

**Copyright.** Copyright in the PRC is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) and its implementation rules. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC and related rules and regulations, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impacts, publicly apologize, and pay damages, etc. In addition, the Regulations on the Protection of Rights to Information Network Communication (《信息網絡傳播權保護條例》) promulgated by the State Council on May 18, 2006 as amended in 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

**Patent.** The Patent Law (《專利法》) provides for three types of patents, "invention", "utility model" and "design". To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. The National Intellectual Property Administration is responsible for examining and approving patent applications.

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**Trademark.** The Trademark Law (《商標法》) and its implementation rules protect registered trademarks. The Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration.

**Domain Name.** Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an Internet-based information service provider in providing Internet-based information services must be registered and owned by such provider in accordance with the law. If the Internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

### REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996 and was latest amended on August 5, 2008. Pursuant to this regulation and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange (the “SAFE”) or its local counterpart is obtained.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), according to which, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “Circular 19”). According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks.

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Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter- enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) (the "Circular 16"), was promulgated by SAFE on June 9, 2016. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "Circular 28"), which, among other things, allows all FIEs to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. On December 31, 2020, the People's Bank of China, SAFE and other government authorities jointly issued the Circular on Further Optimizing Cross-border Renminbi Policies to Support the Stabilization of Foreign Trade and Foreign Investment (《關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知》) (the "Circular 330"), which, among other things, reiterates the above provisions in Circular 28. However, since the Circular 28 and Circular 330 are relevantly new, it is unclear how SAFE and other government authorities as well as competent banks will carry this out in practice.



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## REGULATORY OVERVIEW

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According to the Circular of SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "Circular 8") promulgated and effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

### REGULATIONS RELATING TO STOCK INCENTIVE PLAN

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "Stock Option Rules") on February 15, 2012. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or other material changes. The PRC agent must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agents before distribution to such PRC residents.

In addition, the SAT, has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

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### REGULATIONS RELATING TO LABOR

The Labor Contract Law (《勞動合同法》) as promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012 and effective as from July 1, 2013, and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations, which significantly affects the cost of reducing workforce for employers. In addition, if an employer intends to enforce a non-compete provision with an employee in an employment contract or non-competition agreement, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract. Employers in most cases are also required to provide a severance payment to their employees after their employment relationships are terminated.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law (《社會保險法》) which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011 and as amended on December 29, 2018, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated time limit and be subject to a late fee. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and became effective on April 3, 1999 and as amended on March 24, 2019, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated time limit; otherwise, an application may be made to a local court for compulsory enforcement.

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### REGULATIONS RELATING TO LEASING

Pursuant to the Law on Administration of Urban Real Estate (《城市房地產管理法》), when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

According to the Civil Code, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid.

Pursuant to the Civil Code, if a mortgagor leases the mortgaged property and the possession of the mortgaged property has been transferred before the creation of mortgage interest, the previously established leasehold interest will not be affected by the subsequent mortgage.

### Regulations Relating to Overseas Listing

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC; if a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer’s audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for initial public offering and listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

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On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (1) prior to the effective date of the Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if such domestic companies complete the overseas listing within such six-month transition period and there is no re-hearing required by the Stock Exchange during such period, they are not subject to the filing procedure with respect to such overseas listing; and (3) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

Furthermore, on February 25, 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the “Confidentiality and Archives Administration Provisions”), which came into effect on March 31, 2023. The Confidentiality and Archives Administration Provisions require, among others, that PRC domestic enterprises seeking offering and listing of securities in overseas markets, either directly or indirectly, shall establish the confidentiality and archives system, and shall complete approval and filing procedures with competent authorities, if such PRC domestic enterprises or their overseas listing entities provide or publicly disclose documents or materials involving state secrets and work secrets of PRC government agencies to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals. It further stipulates that providing or publicly disclosing documents and materials which may adversely affect national security or public interests to relevant securities companies, securities service institutions, overseas regulatory agencies and other entities and individuals shall be subject to corresponding procedures in accordance with relevant laws and regulations.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

Capitalizing on our ability to integrate information technology with medical resources and practices, we have developed and nurtured a replicable and scalable cloud hospital platform model which connects local governments, medical institutions, patients and insurers in China. Our history can be traced back to 2011 when our Company was incorporated as the holding company of our current business. Since then, we have emerged to become a pioneer in the PRC digital healthcare services market offering a number of solutions to help realize continuity across the cycle of healthcare. We developed China’s first city-specific cloud hospital platform according to Frost & Sullivan, and as of December 31, 2021 and September 30, 2022, we are the largest cloud hospital network in China in terms of the number of cities covered. Our solutions primarily encompass the following business lines: (i) cloud hospital platform services, (ii) Internet medical services, (iii) health management services and (iv) smart healthcare products.

### BUSINESS MILESTONES

The following is a summary of our key business development milestones since our inception:

| <b>Year</b> | <b>Event</b>   |
|-------------|--|
| 2011        | <ul style="list-style-type: none"><li>• Our Company was incorporated</li></ul>   |
| 2012        | <ul style="list-style-type: none"><li>• We implemented “Healthy Hainan”, a province-wide promotional campaign for our primary health management platform</li></ul>   |
| 2013        | <ul style="list-style-type: none"><li>• We set up offline our own medical institutions in Shenyang of Liaoning province as well as in Hunan province</li></ul>   |
| 2014        | <ul style="list-style-type: none"><li>• We started building China’s first city-wide cloud hospital platform namely, Ningbo Cloud Hospital, in Ningbo, according to Frost &amp; Sullivan</li></ul>  |
| 2015        | <ul style="list-style-type: none"><li>• We launched mobile app for our city-wide cloud hospital platform</li></ul>   |
| 2016        | <ul style="list-style-type: none"><li>• We started to provide Internet home care services on our cloud hospital platforms</li></ul>  |
| 2017        | <ul style="list-style-type: none"><li>• We were awarded eHealth Champion in the World Summit on the Information Society Prizes 2017 for our Ningbo Cloud Hospital</li></ul>  |
| 2020        | <ul style="list-style-type: none"><li>• We cooperated with the cardiology department of a Class III Grade A hospital to establish standard processes for post-discharge follow-ups</li><li>• We completed the construction of a provincial cloud-based supervisory digital healthcare platform in Jiangsu province</li></ul> |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Year | Event   |
|------|---|
| 2021 | <ul style="list-style-type: none"> <li>• We helped more than 30 hospitals establish their Internet hospital in Ningbo</li> <li>• Our three top types of services of Internet home care services became payable by social insurance over the Ningbo Cloud Hospital platform</li> </ul> |

### OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

As of the Latest Practicable Date, we have 27 intermediate holding companies and Subsidiaries incorporated in the PRC and Hong Kong. We set forth below information about our Group members that we deem significant or made a material contribution to our operating results during the Track Record Period:

| Name                      | Date of establishment | Place of establishment | Ownership as of the Latest Practicable Date  | Principal business activities |
|---------------------------|-----------------------|------------------------|--|-------------------------------|
| Xikang WFOE               | August 12, 2011       | PRC                    | Wholly owned by Xikang International   | Investment holding            |
| Xikang Medical            | December 26, 2017     | PRC                    | Owned as to 80% by Ms. Zong Wenhong and 20% by Ms. Wang Shuli, and controlled by Xikang WFOE through the Xikang Medical Contractual Arrangements     | Investment holding            |
| Xikang Information        | March 27, 2015        | PRC                    | Owned as to 80% by Ms. Zong Wenhong and 20% by Ms. Wang Shuli, and controlled by Xikang WFOE through the Xikang Information Contractual Arrangements | Investment holding            |
| Xikang Medical Management | January 24, 2018      | PRC                    | Owned as to 70% by Xikang WFOE and 30% by Xikang Medical   | Investment holding            |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Name                  | Date of establishment | Place of establishment | Ownership as of the Latest Practicable Date | Principal business activities   |
|-----------------------|-----------------------|------------------------|---|---|
| Ningbo Xikang         | July 25, 2014         | PRC                    | Wholly owned by Xikang Medical Management   | Investment holding company of Ningbo Cloud Hospital   |
| Ningbo Cloud Hospital | June 26, 2015         | PRC                    | Wholly owned by Ningbo Xikang               | Provision of Internet medical services and health management services   |
| Shanghai Xikang       | January 11, 2013      | PRC                    | Wholly owned by Xikang Medical Management   | Investment holding company of Shanghai Clinic   |
| Shanghai Clinic       | September 24, 2015    | PRC                    | Wholly owned by Shanghai Xikang             | Provision of Internet medical services and health management services   |
| Xikang Medical System | November 24, 2011     | PRC                    | Wholly owned by Xikang WFOE                 | Investment holding company of Heilongjiang Neusoft Xikang Technology Co., Ltd. (黑龍江東軟熙康科技有限公司) (“ <b>Heilongjiang Xikang</b> ”) |
| Liaoning Xikang       | October 13, 2011      | PRC                    | Wholly owned by Xikang WFOE                 | Investment holding company of Dandong Jinhai Xikang Clinic Co., Ltd. (丹東金海熙康門診部有限公司) (“ <b>Dandong Clinic</b> ”)                |

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

#### Major Shareholding changes

We describe below the major changes in the shareholding of our Group.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 12, 2011. At the time of incorporation, our Company had an authorized share capital of US\$50,000.00 divided into 50,000 Shares of a nominal value of US\$1.00 each. Immediately after incorporation, one Share of our Company was allotted and issued to an initial subscriber, an Independent Third Party, who on the same day transferred the same to Neusoft (HK). On the same day, our Company allotted and issued 34,999 Shares and 15,000 Shares to Neusoft (HK) and Smartwave, respectively. As a result of the above changes, our Company was held as to 70% by Neusoft (HK) and 30% by Smartwave. Our Company completed a subdivision of Shares of par value of US\$1.00 each into par value of US\$0.001 each in May 2012. The authorized share capital of our Company was subsequently increased and as of the Latest Practicable Date, the authorized share capital of our Company was US\$300,000 divided into 300,000,000 ordinary Shares at par value of US\$0.001 each.

Since the incorporation of our Company, we have completed several rounds of Pre-[REDACTED] Investments. Our Company issued ordinary Shares, Class A Ordinary Shares, Class B Ordinary Shares and Class C Ordinary Shares to the relevant Pre-[REDACTED] Investors between 2015 and 2020. See “– Pre-[REDACTED] Investments” in this section for further details.

#### Other investments

As of December 31, 2022, we held investments in three companies in the PRC that are principally engaged in the provision of health management services. We believe these companies have businesses that are complementary to ours. See note 12 to the Accountant’s Report set out in Appendix I to this document for further details.

#### Major Acquisitions, Disposals and Mergers

##### *The Dalian Yunshe Acquisition*

On February 17, 2020, Xikang WFOE entered into a capital increase agreement with Dalian Xikang Yunshe Development Co., Ltd. (大連熙康雲舍發展有限公司) (“**Dalian Yunshe**”), pursuant to which Xikang WFOE subscribed for a registered capital of RMB91.7 million in Dalian Yunshe at a consideration of RMB100 million (the “**Dalian Yunshe Acquisition**”). The consideration was determined at arm’s length negotiations between the parties after taking into account the valuation of Dalian Yunshe at the time of the capital increase, which was conducted based on the audited financial information of Dalian Yunshe by an independent valuer. The Dalian Yunshe Acquisition was fully settled on December 28, 2020. Following the completion of the Dalian Yunshe Acquisition, Xikang WFOE held an equity interest of 11.83% in Dalian Yunshe.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Dalian Yunshe is principally engaged in the operation and management of health preserving hotels. As of the Latest Practicable Date, Dalian Yunshe is owned as to 55.92% by Neusoft Holdings. As such, Dalian Yunshe is an associate of Neusoft Holding and therefore our connected person pursuant to Chapter 14A of the Listing Rules. Through the connection of our cloud hospital platforms with Dalian Yunshe, we provide hotel guests with a series of health management services. As such, Dalian Yunshe serves as a gateway for us to acquire hotel guests as new users on our cloud hospital platforms. In light of the above, our Directors believe that the acquisition of minority interests in Dalian Yunshe could bring synergistic effect to our Group and is conducive to our future development.

### *The Neusoft Consulting Acquisition*

Intending to bring synergistic effect to our Group, Xikang WFOE and Neusoft Corporation entered into an equity transfer agreement on June 1, 2020, pursuant to which Neusoft Corporation transferred 100% equity interest in Neusoft Management Consulting (Shanghai) Co., Ltd. (東軟管理諮詢(上海)有限公司) (“**Neusoft Consulting**”) to Xikang WFOE for a consideration of RMB96.4 million (the “**Neusoft Consulting Acquisition**”). Neusoft Consulting is mainly engaged in business consulting service, including, among others, medical device. The consideration was determined based on arm’s length negotiations between the parties and based on the independent asset valuation of the properties of Neusoft Consulting at the time of such transfer. The consideration was fully settled on September 30, 2020. As the highest applicable percentage ratio as defined under the Listing Rules is less than 25%, the Neusoft Consulting Acquisition does not constitute an acquisition of a material subsidiary or business during the Track Record Period and the pre-acquisition financial information of Neusoft Consulting is not required to be disclosed under Rule 4.05A of the Listing Rules.

As of the Latest Practicable Date, (i) both the Dalian Yunshe Acquisition and the Neusoft Consulting Acquisition have been legally completed, and (ii) all necessary approvals from the relevant authorities for the Dalian Yunshe Acquisition and the Neusoft Consulting Acquisition have been obtained.

Save as disclosed above and in the paragraph headed “ – Corporate Reorganization – Restructuring of the Onshore Entities” in this section, we did not conduct any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### PRE-[REDACTED] INVESTMENTS

#### Overview

Our Group has received two rounds of the Pre-[REDACTED] Investments since the commencement of business. The table below sets forth the principal terms of the Pre-[REDACTED] Investments:

| Pre-[REDACTED] Investor                            | Kingset Ventures  | Noble Investment                          | Syn Invest                                | PICC P&C   | Alps Alpine                                      | First Care  |
|--|---|---|---|--|--|---|
| Date of the share subscription agreement(s)        | September 15, 2015 and April 27, 2016   | September 15, 2015 and April 27, 2016     | September 15, 2015                        | December 23, 2016                                  | December 23, 2016                                | December 13, 2019   |
| Shares in our Company being subscribed for         | 17,340,000 Class A Ordinary Shares  | 3,400,000 ordinary Shares                 | 8,500,000 ordinary Shares                 | 20,400,000 Class B Ordinary Shares                 | 1,360,000 Class B Ordinary Shares                | 12,945,758 Class C Ordinary Shares  |
| Shares immediately following the Share Subdivision | 86,700,000 Class A Ordinary Shares <sup>(3)</sup>   | 17,000,000 ordinary Shares <sup>(3)</sup> | 42,500,000 ordinary Shares <sup>(3)</sup> | 102,000,000 Class B Ordinary Shares <sup>(3)</sup> | 6,800,000 Class B Ordinary Shares <sup>(3)</sup> | 64,728,790 Class C Ordinary Shares <sup>(3)</sup>                                     |
| Total consideration paid                           | US\$51,000,000  | US\$10,000,000                            | US\$25,000,000                            | US\$60,000,000                                     | US\$4,000,000                                    | U.S. dollar equivalent of RMB350,000,000 (equivalent to approximately US\$49,997,817) |
| Date on which investment was fully settled         | July 6, 2016  | July 4, 2016                              | December 31, 2015                         | January 3, 2017                                    | January 10, 2017                                 | January 23, 2020  |
| Basis of consideration                             | The relevant consideration was determined after arm’s length negotiations between our Company and the Pre-[REDACTED] Investors with reference to the financial performance and the business valuation of our Company, the timing of the investments, the status of our business and operation and our future prospects. |   |   |  |  |   |
| Cost per share                                     | US\$0.59  | US\$0.59                                  | US\$0.59                                  | US\$0.59   | US\$0.59   | US\$0.77  |
| Post-money valuation of the Company                | US\$359 million   | US\$359 million                           | US\$359 million                           | US\$359 million                                    | US\$359 million                                  | US\$551 million   |
| Discount to the [REDACTED] <sup>(1)</sup>          | [REDACTED] <sup>(4)</sup>   | [REDACTED] <sup>(4)</sup>                 | [REDACTED] <sup>(4)</sup>                 | [REDACTED] <sup>(4)</sup>                          | [REDACTED] <sup>(4)</sup>                        | [REDACTED] <sup>(4)</sup>   |
| Lock-up  | Not subject to lock-up  | Not subject to lock-up                    | Not subject to lock-up                    | Not subject to lock-up                             | Not subject to lock-up                           | Not subject to lock-up  |
| Use of proceeds                                    | The proceeds have been fully utilized for contribution into our Group as investment capital to be used for business expansion, capital expenditures and general working capital requirements.   |   |   |  |  |   |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Pre-[REDACTED]<br>Investor  | Kingset<br>Ventures  | Noble<br>Investment | Syn Invest  | PICC P&C    | Alps Alpine | First Care  |
|---|--|---------------------|-------------|-------------|-------------|-------------|
| <b>Strategic benefits of the investments brought to the Company</b>               | Our Directors are of the view that our Company would benefit from the additional capital provided by the Pre-[REDACTED] Investors' investments in our Company and their investments serve as an endorsement of our Company's strength and prospects. |                     |             |             |             |             |
| <b>Shareholding in our Company immediately before the [REDACTED]</b>              | 12.16%   | 2.38%               | 5.96%       | 14.30%      | 0.95%       | 9.08%       |
| <b>Shareholding in our Company immediately after the [REDACTED]<sup>(2)</sup></b> | [REDACTED]%  | [REDACTED]%         | [REDACTED]% | [REDACTED]% | [REDACTED]% | [REDACTED]% |

*Notes:*

- (1) Assuming the [REDACTED] will be conducted at the midpoint of the [REDACTED], being HK\$[REDACTED].
- (2) Presuming the Assumptions.
- (3) Ordinary Shares, Class A ordinary Share, Class B ordinary Share and Class C ordinary Shares are the same class of Shares, namely ordinary Shares of our Company which were authorized and issued in different rounds of pre-[REDACTED] investments.
- (4) Kingset Ventures, Noble Investment and Syn Invest are financial and passive investors of our Company and their investments in the Company's Shares in September 2015 and April 2016 were based on arm's length negotiation among the parties after taking into consideration of, among others, the financial performance of our Company prior to the date of the respective share subscription agreements, business valuation of our Company, the timing of the investments, the status of business and operation and our future prospects. In the meantime, PICC P&C and Alps Alpine are strategic investors of the Company which were expected to create synergies with our business, and their investment in the Company's Shares in December 2016 have referenced the valuation of the Company in the last round of investment in September 2015 and April 2016, as the cost per share for the subscription of the Company's Shares was determined among the parties in July 2016 in the term sheet entered into by the Company, PICC P&C and Alps Alpine. In addition, PICC P&C and Alps Alpine, as strategic investor of the Company, do not have certain special rights, e.g. divestment rights, enjoyed by our financial investors, as they are expected to have long term cooperation with us in various aspects. In light of the above, the post-money valuations and the discount to the [REDACTED] were the same among these Pre-[REDACTED] Investors based on their commercial negotiation with the Company considering the nature of their investment even though their share subscription agreements were entered into in different time periods.

### Special Rights

Pursuant to the Pre-[REDACTED] Shareholders' Agreement, some of the Pre-[REDACTED] Investors were granted certain special rights in relation to our Company, including, among others, divestment rights, director nomination rights, anti-dilution rights, customary rights of first refusal, co-sale rights, pre-emptive rights and information and inspection rights. Certain special rights (including the divestment rights) have been terminated immediately before our Company's [REDACTED] and all remaining special rights will be terminated upon [REDACTED].

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Information about the Pre-[REDACTED] Investors

Save as disclosed herein, (i) each of the Pre-[REDACTED] investors does not have any past or present relationship with any other Pre-[REDACTED] investors and their respective ultimate beneficial owners; and (ii) each of the Pre-[REDACTED] investors does not have any past or present relationships with our Company and subsidiaries, their respective controlling shareholders, directors, senior management or any of their respective associates.

### Kingset Ventures

Kingset Ventures, a company incorporated in the BVI, is a group member of Hony Capital. Hony Capital, founded in 2003 and sponsored by Legend Holdings (聯想控股), is a leading investment management firm. It has invested in over 100 companies in areas of pharmaceutical and healthcare, consumer products, food and beverage, entertainment, environmental protection and new energy, as well as machinery and equipment manufacturing. Hony Capital and its group members manage assets on behalf of institutional clients such as foundations, sovereign wealth funds, university endowments and family offices.

### Noble Investment

Noble Investment, a company incorporated in the Cayman Islands, is ultimately controlled by The Goldman Sachs Group, Inc., a company incorporated under the laws of Delaware and whose shares are listed on the New York Stock Exchange (ticker symbol: GS). The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and individuals.

### Syn Invest

Syn Invest is a company established in the BVI and fully owned by Shenzhen Synergetic Hechuang Investment Management Partnership (Limited Partnership) (深圳市協同禾創投資管理合夥企業(有限合夥)) (“**Synergetic Hechuang**”). Synergetic Hechuang is a limited partnership established in the PRC. It is managed by its general partner, Synergetic Innovation Fund Management Co., Ltd. (協同創新基金管理有限公司) (“**SIFMC**”) and owned as to 80% by Shanghai Gopher Xinmian Investment Center (Limited Partnership) (上海歌斐信勉投資中心(有限合夥)) (“**Shanghai Gopher Xinmian**”) controlled by Chinese investor Ms. Wang Jingbo (汪靜波), 19.8% by Ms. LI Qi (李琦) and 0.2% by Shenzhen Synergetic Heshun Investment Partnership (Limited Partnership) (深圳市協同禾順投資合夥企業(有限合夥)) (“**Synergetic Heshun**”). SIFMC, a professional investment fund management company, has a registered capital of RMB117.7 million and is headquartered in Shenzhen, with branches in Beijing, Wuhan, and Luxembourg. It specializes in investment management, capital markets operations, mergers and acquisitions, equity investment, incubation services, real estate investment and financing advising and consulting. Both SIFMC and Synergetic Heshun are ultimately beneficially owned by Chinese investor Dr. Wanshou Li (李萬壽).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PICC P&C

PICC P&C, established in the PRC in July 2003, is the largest property and casualty insurance company in the PRC. PICC P&C was listed on the Main Board of the Stock Exchange on November 6, 2003 (stock code: 02328), being the first overseas listed financial company in the PRC.

### Alps Alpine

Alps Alpine is a company established in Japan whose shares are listed on the Tokyo Stock Exchange (stock code: 6770). Alps Alpine is a leading manufacturer of electronic components and automotive infotainment systems. Alps Alpine and its affiliates currently operate in 26 countries and regions, supplying approximately 40,000 different products and solutions to around 2,000 companies worldwide. Those offerings include devices such as switches, sensors, data communication modules, touch input panels, actuators and power inductors, as well as systems and services such as digital type keys based on smartphone app and blockchain technology, and remote monitoring.

### First Care

First Care is a company incorporated in the Cayman Islands and principally engaged in investment activities. It is owned as to 70% by Suzhou 6 Dimensions Investment Partnership (蘇州通和毓承投資合夥企業(有限合夥)) (“**Suzhou 6 Dimensions**”) and 30% by Suzhou Frontline Phase II Venture Capital Partnership (蘇州通和二期創業投資合夥企業(有限合夥)) (“**Suzhou Frontline II**”). Suzhou 6 Dimensions and Suzhou Frontline II and their affiliates have an aggregate of approximately RMB3.7 billion of assets under management. Suzhou 6 Dimensions is controlled by its general partner, Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) (“**Suzhou Tongyu**”). Suzhou 6 Dimensions has 13 limited partners, the largest of which is Suzhou Innovative Industry Development Guiding Fund (Limited Partnership) (蘇州市創新產業發展引導基金(有限合夥)), a state-owned fund, holding approximately 19.5% of its partnership interest, and each of the other 12 limited partners of Suzhou 6 Dimensions holds less than 15% of its partnership interest. Suzhou Frontline II is controlled by its general partner, Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) (“**Suzhou Fuyan**”). Suzhou Frontline II has 15 limited partners, the largest of which is Suzhou Industrial Park Guochuang Tonghe Equity Investment Partnership (Limited Partnership) (蘇州工業園區國創通和股權投資合夥企業(有限合夥)), beneficially owned by Aeon Life Insurance Company Limited (百年人壽保險股份有限公司), with Dalian Wanda Group Co., Ltd. (大連萬達集團股份有限公司) being its single largest shareholder holding approximately 11.5% of its equity shares, holding approximately 18.1% of its partnership interest and each of the other 14 limited partners of Suzhou Frontline II holds less than 15% of its partnership interest. Both of Suzhou Tongyu and Suzhou Fuyan are in turn controlled by their general partner, Suzhou Yunchang Investment Consulting Limited (蘇州蘊長投資諮詢有限公司) (“**Suzhou Yunchang**”), a company ultimately beneficially owned by Mr. CHEN Ziqing (陳梓卿). Suzhou 6 Dimensions, Suzhou Frontline II, Suzhou Tongyu, Suzhou

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Fuyan and Suzhou Yunchang are referred to as "6 Dimensions Entities". 6 Dimensions Entities are global investment platforms with a focus on innovative life science companies in the PRC and the United States. The portfolio companies of 6 Dimensions Entities include, among others, CStone Pharmaceuticals, Hua Medicine, Ocumension Therapeutics, 111, Inc., Kymera Therapeutics, iTeos Therapeutics, Ideaya Biosciences, Fulcrum Therapeutics, TCR<sup>2</sup> Therapeutics, Viela Bio, Inc., Innovent Biologics, Inc. and Shenzhen Kangtai Biological Products Co., Ltd., all of which are biotech or pharmaceutical companies.

### **Public Float**

Save for PICC P&C and Kingset Ventures, upon completion of the [REDACTED] and presuming the Assumptions, none of the Pre-[REDACTED] investors are core connected persons (as defined under the Listing Rules) of our Company and the subscriptions of the Shares by the Pre-[REDACTED] Investors are not financed directly or indirectly by a connected person of our Company. Therefore, save for PICC P&C and Kingset Ventures, the Shares held by the Pre-[REDACTED] investors, representing [REDACTED]% of our enlarged issued share capital presuming the Assumptions, will be counted towards public float of our Company.

### **Compliance with Interim Guidance and Guidance Letters**

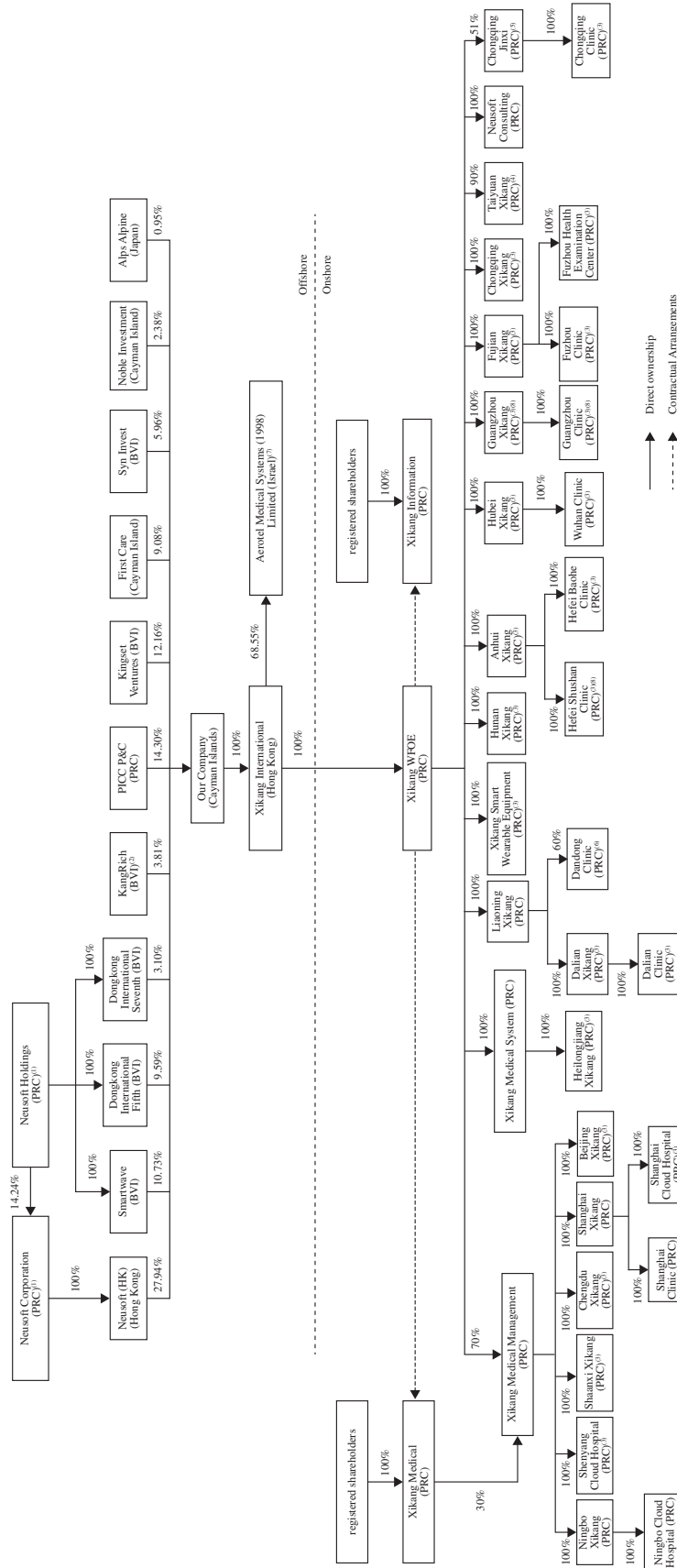
The Sole Sponsor confirm that the Pre-[REDACTED] Investments are in compliance with (i) the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and the Guidance Letter HKEX-GL29-12 reproducing the same issued by the Stock Exchange in January 2012 and updated in March 2017; and (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017.

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## CORPORATE REORGANIZATION

In preparation for the [REDACTED], we have effected the Reorganization as described below.

The following chart illustrates our shareholding structure prior to the Reorganization:



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Notes:

- (1) Neusoft Corporation does not have any controlling shareholder or actual controller. As of the Latest Practicable Date, Neusoft Holdings was Neusoft Corporation’s single largest shareholder holding approximately 14.24% of its total shares. Neusoft Holdings holds 100% equity interests in Smartwave, Dongkong International Fifth and Dongkong International Seventh respectively through various intermediary entities. See “Substantial Shareholders” and “– Relationship Among Our Certain Shareholders” in this section for details of the shareholding structure of Neusoft Holdings.
- (2) 5,440,000 Shares of the Company before the Reorganization are held by KangRich, which is wholly owned by Beijing Kangji Management Consulting Partnership (Limited Partnership) (北京康驥管理諮詢合夥企業(有限合夥), “**Beijing Kangji**”). The general partner of Beijing Kangji is Shenyang Ruiqian Business Consulting Co., Ltd. (瀋陽睿前商務諮詢有限公司) (“**Shenyang Ruiqian**”), which is held as to 50% by Ms. Zong Wenhong, our executive Director and chief executive officer, and 50% by Dr. Wang Nan, our non-executive Director, and the limited partners of Beijing Kangji are five limited partners each holding 19.9975% interest in Beijing Kangji (the “**Five LPs of Kangji**”) and Shenyang Ruiqian which is interested in 0.02% in Beijing Kangji. The partners of the Five LPs of Kangji are a total of 112 employees of the Company, including Ms. Zong Wenhong, our Executive Director and chief executive officer. None of the 112 employees of the Company is entitled to significant economic interests in the Five LPs of Kangji. Such 5,440,000 Shares held by KangRich were issued pursuant to a restricted share unit scheme (the “**2016 RSU Scheme**”) of the Company adopted in August 2016 for the benefit of its employees. As of the Latest Practicable Date, all the underlying restricted share units under the 2016 RSU Scheme have been granted to 112 employees of the Company, and held by KangRich as the shareholding platform on behalf of these employees. Since each of Ms. Zong Wenhong and Dr. Wang Nan is able to control 50% of the voting power in Shenyang Ruiqian, which is the general partner of Beijing Kangji, Ms. Zong Wenhong and Dr. Wang Nan are deemed to be interested in the 5,440,000 Shares held by KangRich. As such, KangRich is not considered as a member of “the public” for the purpose of Rule 8.24 of the Listing Rules.
- (3) (i) Xikang Smart Wearable Equipment refers to Neusoft Xikang (Ningbo) Smart Wearable Equipment Co., Ltd. (東軟熙康(寧波)智能可穿戴設備有限公司); (ii) Hunan Xikang refers to Hunan Xikang Health Management Co., Ltd. (湖南熙康健康管理有限公司) (“**Hunan Xikang**”); (iii) Anhui Xikang refers to Anhui Xikang Health Management Co., Ltd. (安徽熙康健康管理有限公司); (iv) Hubei Xikang refers to Hubei Xikang Health Management Co., Ltd. (湖北熙康健康管理有限公司) (“**Hubei Xikang**”); (v) Guangzhou Xikang refers to Guangzhou Xikang Health Technology Co., Ltd. (廣州熙康健康科技有限公司) (“**Guangzhou Xikang**”); (vi) Fujian Xikang refers to Fujian Xikang Health Management Service Co., Ltd. (福建熙康健康管理服務有限公司) (“**Fujian Xikang**”); (vii) Chongqing Xikang refers to Chongqing Xikang Health Technology Co., Ltd. (重慶熙康健康科技有限公司); (viii) Beijing Xikang refers to Beijing Neusoft Xikang Health Management Co., Ltd. (北京東軟熙康健康管理有限公司); (ix) Shaanxi Xikang refers to Shaanxi Xikang Health Management Co., Ltd. (陝西熙康健康管理有限公司); (x) Shenyang Cloud Hospital refers to Shenyang Xikang Cloud Hospital Co., Ltd. (瀋陽熙康雲醫院有限公司); (xi) Chengdu Xikang refers to Chengdu Neusoft Xikang Health Management Service Co., Ltd. (成都東軟熙康健康管理服務有限公司); (xii) Dalian Xikang refers to Dalian Xikang Health Management Consulting Co., Ltd. (大連熙康健康管理諮詢有限公司); (xiii) Hefei Shushan Clinic refers to Hefei Shushan Xikang Health Examination Outpatient Department Co., Ltd. (合肥蜀山熙康健康體檢門診部有限公司) (“**Hefei Shushan Clinic**”); (xiv) Hefei Baohe Clinic refers to Hefei Baohe Xikang Comprehensive Clinic Co., Ltd. (合肥包河熙康綜合門診部有限公司); (xv) Wuhan Clinic refers to Wuhan Jinghan Xikang Comprehensive Clinic Co., Ltd. (武漢京漢熙康綜合門診部有限公司); (xvi) Guangzhou Clinic refers to Guangzhou Haizhu Xikang Clinic Co., Ltd. (廣州海珠熙康門診部有限公司); (xvii) Fuzhou Clinic refers to Fuzhou Cangshan Xikang Comprehensive Clinic Co., Ltd. (福州倉山區熙康綜合門診部有限公司); (xviii) Fuzhou Health Examination Center refers to Fuzhou Xikang Health Examination Center Co., Ltd. (福州熙康健康體檢中心有限公司) (“**Fuzhou Clinic**”); (xix) Chongqing Clinic refers to Chongqing Jinxi Traditional Chinese and Western Medicine Clinic Co., Ltd. (重慶金熙中西醫結合門診部有限公司); (xx) Shanghai Lingang Xikang Cloud Hospital refers to Shanghai Lingang Xikang Cloud Hospital Co., Ltd. (上海臨港熙康雲醫院有限公司); (xxi) Dalian Clinic refers to Dalian Neusoft Xikang Comprehensive Clinic Co., Ltd. (大連東軟熙康綜合門診部有限公司).



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (4) Taiyuan Xikang refers to Taiyuan Xikang Cloud Hospital Management Co., Ltd. (太原熙康雲醫院管理有限公司). Prior to the Reorganization, Taiyuan Xikang was held as to 90% by Xikang WFOE and 10% by Taiyuan Tangcheng Hospital Management Co., Ltd. (太原市唐城醫院管理有限公司). On December 12, 2021, Taiyuan Tangcheng Hospital Management Co., Ltd. withdrew from Taiyuan Xikang and the registered share capital of Taiyuan Xikang was reduced from RMB10 million to RMB9 million, upon the completion of which Taiyuan Xikang became a wholly-owned subsidiary of our Company.
- (5) Chongqing Jinxi refers to Chongqing Jinxi Health Management Co., Ltd. (重慶熙康健康管理有限公司). As of the Latest Practicable Date, Chongqing Jinxi was held as to 51% by Xikang WFOE and 49% by Jinke Industry Investment Development Group Co., Ltd. (金科產業投資發展集團有限公司) (“**Jinke**”), which is an Independent Third Party and is a wholly-owned subsidiary of Jinke Property Group Co., Ltd. (金科地產集團股份有限公司), a company established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 656), and an Independent Third Party.
- (6) As of the Latest Practicable Date, Dandong Clinic was held as to 60% by Liaoning Xikang and 40% by Dandong Jindi Yingda Real Estate Development Co., Ltd. (丹東金地盈達房地產開發有限公司) (“**Dandong Jindi Yingda**”), which is in turn held as to 51% by Gao Yan and 49% by Jia Benxin through Liaoning Jinhai Real Estate Development Group Co., Ltd. (遼寧金海房地產開發集團有限公司), all of whom are Independent Third Parties. Our Directors believe that property developers, such as Jinke and Dandong Jindi Yingda, could leverage the cooperation with our Group to offer a wider range of value-added services, in particular Internet medical services and health management services, to the communities they developed, which will in turn raise the value of their properties and enhance their brand reputation.
- (7) Prior to the Reorganization, the remaining equity interests of Aerotel Medical Systems (1998) Limited was held as to (i) 24.96% by Aerotel Ltd.; (ii) 3.46% by Israel Ind. Res.; (iii) 1.85% by David Rubin; (iv) 0.58% by David Stanley; (v) 0.49% by Israel Ind. LB; and (vi) 0.10% by Padani-Lustig, all of whom are Independent Third Parties. On January 2, 2022, we transferred 68.55% equity interest in Aerotel Medical Systems (1998) Limited to Aerotel Ltd.
- (8) (i) Guangzhou Xikang was deregistered on February 15, 2022 and (ii) Guangzhou Clinic was deregistered on January 27, 2022. Both Guangzhou Xikang and Guangzhou Clinic were loss making during the Track Record Period, and they generated less than 2% of the total revenue of the Group during the Track Record Period. As advised by our PRC Legal Advisor, during the Track Record Period, neither Guangzhou Xikang nor Guangzhou Clinic has been involved in any material non-compliant incidents.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We underwent the following steps in effecting the Reorganization:

### Restructuring of Onshore Entities

To streamline our business operations and optimize our corporate structure for the purpose of the [REDACTED], we transferred the equity interests in certain onshore entities to Jiangsu Lixin Technology Development Co., Ltd. (江蘇立新科技發展有限公司) (“**Jiangsu Lixin**”), an Independent Third Party. Details of the transfers are set out below:

| Name               | Place of establishment | Ownership prior to the Reorganization | Principal business activities           | Transaction  |
|--------------------|------------------------|---------------------------------------|---|--|
| Neusoft Consulting | PRC                    | Wholly owned by Xikang WFOE           | Business operations are yet to commence | On April 20, 2021, Jiangsu Lixin, a company whose principal businesses include property management, engaged in a capital increase of RMB107.1 million in Neusoft Consulting to preserve and increase the value of Neusoft Consulting, following which Neusoft Consulting is owned as to 51% and 49% by Jiangsu Lixin and Xikang WFOE, respectively. The considerations were determined after arm’s length negotiations between the parties and based on independent asset valuation of the properties of Neusoft Consulting. |
| Dalian Xikang      | PRC                    | Wholly owned by Liaoning Xikang       | Investment holding                      | On April 20, 2021, Liaoning Xikang transferred 100% of the equity interest in Dalian Xikang to Jiangsu Lixin at a consideration of RMB13 million. The considerations were determined after arm’s length negotiations between the parties and based on independent asset valuation of the properties of Dalian Xikang.  |
| Chongqing Xikang   | PRC                    | Wholly owned by Xikang WFOE           | Investment holding                      | On April 20, 2021, Xikang WFOE transferred 100% of the equity interest in Chongqing Xikang to Jiangsu Lixin at nil consideration.  |

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

| Name                             | Place of establishment | Ownership prior to the Reorganization              | Principal business activities           | Transaction  |
|----------------------------------|------------------------|--|---|--|
| Shanghai Cloud Hospital          | PRC                    | Wholly owned by Shanghai Xikang                    | Business operations are yet to commence | On April 20, 2021, Shanghai Xikang transferred 100% of the equity interest in Shanghai Cloud Hospital to Jiangsu Lixin at a consideration of RMB9.5 million. The considerations were determined after arm’s length negotiations between the parties and based on independent asset valuation of the properties of Shanghai Cloud Hospital. |
| Hefei Baohe Clinic               | PRC                    | An indirect wholly owned subsidiary of Xikang WFOE | Business operations are yet to commence | On April 20, 2021, Anhui Xikang transferred 100% of the equity interest in Hefei Baohe Clinic to Jiangsu Lixin at a consideration of RMB8.2 million. The considerations were determined after arm’s length negotiations between the parties and based on independent asset valuation of the properties of Hefei Baohe Clinic.              |
| Fuzhou Health Examination Center | PRC                    | An indirect wholly owned subsidiary of Xikang WFOE | Business operations are yet to commence | On April 20, 2021, Fujian Xikang transferred 100% of the equity interest in Fuzhou Health Examination Center to Jiangsu Lixin at nil consideration.  |
| Beijing Xikang                   | PRC                    | Wholly owned by Xikang Medical Management          | Business operations are yet to commence | On April 20, 2021, Xikang Medical Management transferred 100% of the equity interest in Beijing Xikang to Jiangsu Lixin at nil consideration.  |

None of the above onshore entities were involved in any material non-compliance incidents or legal proceedings/disputes during the Track Record Period.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Transfer of equity interest in Chengdu Xikang by Xikang Medical Management to Xikang WFOE and Xikang Medical

Pursuant to (i) the Catalog of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) promulgated in 2015 and 2017; (ii) the Special Management Measures (Negative List) for the Access of Foreign Investment 《外商投資准入特別管理措施(負面清單)》 promulgated in 2018, 2019, 2020 and 2021; (iii) the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》); and (iv) the verbal consultation with an officer of the NHC conducted by the respective PRC legal advisors of our Company and the Sole Sponsor, except in Sichuan Province, foreign investors are not allowed to hold, either directly or indirectly, more than 70% equity interest in a “medical institution” established on or after April 10, 2015 in the PRC. Pursuant to the Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions of Sichuan Province (《四川省中外合資、合作醫療機構管理辦法》) and based on the telephone consultation with an officer of the Health Commission of Sichuan (四川省衛生健康委員會) conducted by the respective PRC legal advisors of our Company and the Sole Sponsor, foreign investors are not allowed to hold, either directly or indirectly, more than 90% equity interest in a medical institution in Sichuan Province (“**Less Stringent Foreign Investment Restrictions in Sichuan Province**”). For details, please see “Contractual Arrangements – Overview.”

As advised by our PRC Legal Advisor, Chengdu Neusoft Xikang Health Management Service Co., Ltd. Gaoxin Ronghua North Road Comprehensive Clinic (成都東軟熙康健康管理服務有限公司高新榮華北路綜合門診部), a branch company of Chengdu Xikang, is considered a “medical institution” in Sichuan Province and is subject to the Less Stringent Foreign Investment Restrictions in Sichuan Province. Prior to the Reorganization and in compliance with the applicable PRC laws and regulations, Chengdu Xikang was wholly owned by Xikang Medical Management, which is in turn owned as to 70% by Xikang WFOE. In order to narrowly tailor the Contractual Arrangements to the maximum extent in preparation for the [REDACTED] as required under the Listing Decision LD43-3, on April 30, 2021, Xikang Medical Management transferred 90% and 10% of the equity interest in Chengdu Xikang to Xikang WFOE and Xikang Medical at nil consideration.

### Contractual Arrangements

In preparation of the [REDACTED], on May 18, 2021, the Company terminated its previous contractual arrangements entered into between Xikang WFOE, each of Xikang Information and Xikang Medical and their respective shareholders (the “**Previous Contractual Arrangements**”) and entered into a series of new contractual arrangements by and among (i) Xikang WFOE, Xikang Information, Ms. Zong Wenhong and Ms. Wang Shuli; and (ii) Xikang WFOE, Xikang Medical, Ms. Zong Wenhong and Ms. Wang Shuli, including the exclusive management consultancy and business cooperation agreement, exclusive option agreement, equity pledge agreement, spouse undertakings letter and power of attorney.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As advised by our PRC Legal Advisor, the PRC subsidiaries in our Group have obtained the requisite government approvals in respect of the Reorganization and the Reorganization complies with the relevant laws and regulations in all material respects.

### SHARE OPTION SCHEMES

#### Pre-[REDACTED] SOS

The Pre-[REDACTED] SOS was adopted by our Board on March 29, 2019. The purpose of the Pre-[REDACTED] SOS is to achieve strategic goals and fuel the development of our Company by providing our Directors, senior management and employees with the opportunity to acquire proprietary interests in our Company.

As of the Latest Practicable Date, the options under the Pre-[REDACTED] SOS in respect of an aggregate of 16,320,000 Shares (or [81,600,000] Shares immediately following the Share Subdivision), representing approximately [REDACTED]% of the Shares upon completion of the [REDACTED] presuming the Assumptions, have been granted to 428 Grantees, and all these options are still outstanding and unexercised. See “Statutory and General Information – D. Share Option Schemes – 1. Pre-[REDACTED] SOS” in Appendix IV for details.

#### Post-[REDACTED] SOS

In order to provide incentives and rewards to participants for their contributions to, and continuing efforts to promote the interest of, the Company, we have adopted the Post-[REDACTED] SOS as approved by our Board on May 27, 2021. See “Statutory and General Information – D. Share Option Schemes – 2. Post-[REDACTED] SOS” in Appendix IV for details.

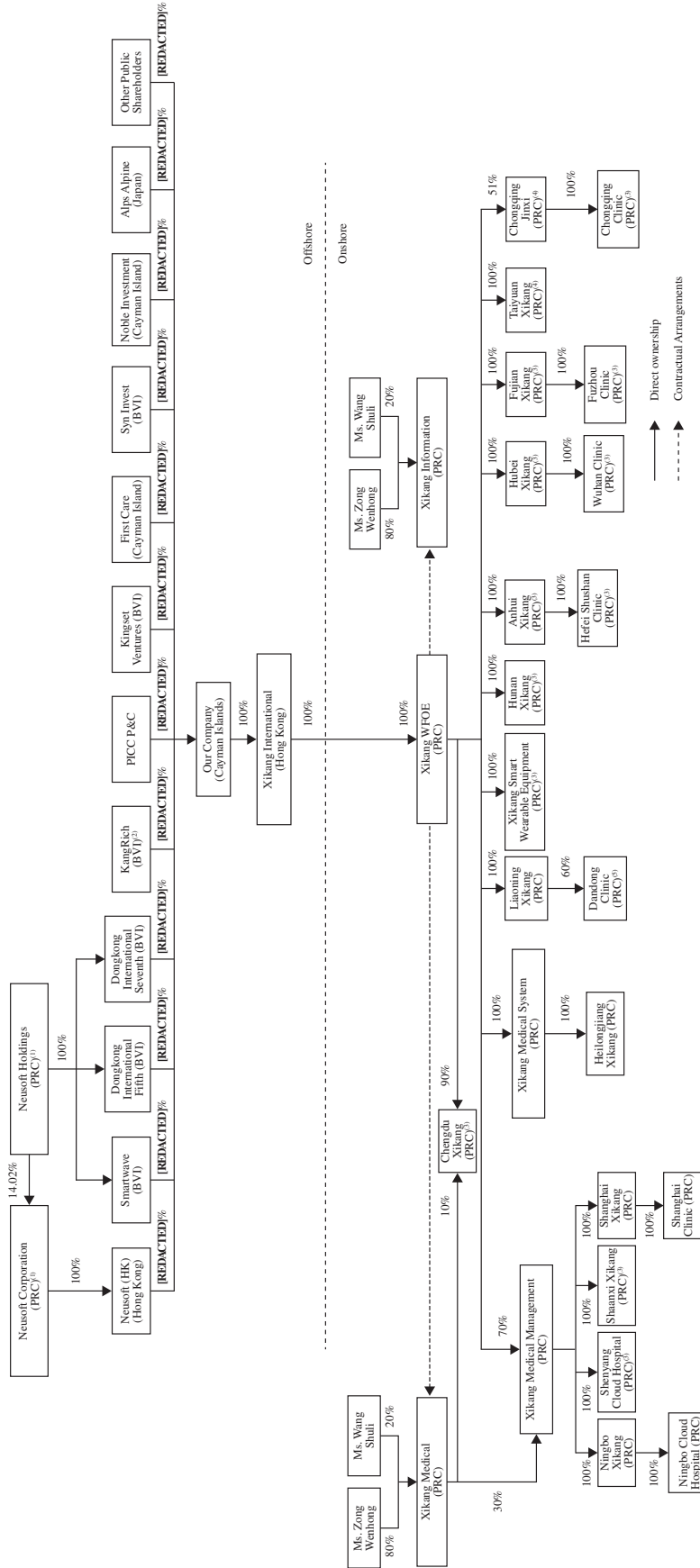
We will comply with Chapter 14A of the Listing Rules and other applicable Listing Rules when the options granted to connected persons under the Pre-[REDACTED] SOS and Post-[REDACTED] SOS are exercised.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE AFTER THE [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Company immediately following the completion of the [REDACTED] presuming the Assumptions:



Notes (1) to (5): Please refer to the shareholding and corporate structure immediately prior to the completion of the Reorganization.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PRC REGULATORY REQUIREMENTS

#### M&A Rules

According to the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

Our PRC Legal Advisor is of the opinion that, based on its understanding of the current PRC laws and regulations, approval from MOFCOM under the M&A Rules is not required because (i) our Xikang WFOE was not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

#### Foreign Investment into Medical Institutions and our Compliance with Relevant Rules

According to the Foreign Investment Orientation Provisions, which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment shall fall into four categories, namely, encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment shall be listed in the Catalog of Industries for Guiding Foreign Investment while any project not listed in the catalog is deemed to be a permitted project for foreign investment.

Medical institutions were not listed in restricted or prohibited category under the Catalog of Industries for Guiding Foreign Investment (2011 version) (《2011年外商投資產業指導目錄》), effective on January 30, 2012, the “**2011 Catalog**”). The Catalog of Industries for Guiding Foreign Investment (2015 Version) (《2015年外商投資產業指導目錄》) (the “**2015 Catalog**”) replaced the 2011 Catalog and categorized medical institution as an industry that falls into the restricted category for foreign investment since April 10, 2015.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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We, through Xikang WFOE, established certain of our medical institutions, namely, Liaoning Neusoft Xikang Health Management Co., Ltd. Wenti Road Comprehensive Clinic (遼寧東軟熙康健康管理有限公司文體路綜合門診部), a branch company of Liaoning Xikang, Hunan Xikang Health Management Co., Ltd. Renshu Xikang Comprehensive Clinic (湖南熙康健康管理有限公司仁術熙康綜合門診部), a branch company of Hunan Xikang, Wuhan Clinic, Hefei Shushan Clinic and Fuzhou Clinic between January 30, 2011 and April 10, 2015 according to the then effective 2011 Catalog. On April 16, 2021, the respective PRC legal advisors of our Company and of the Sole Sponsor conducted telephone consultation with an officer of the NHC who verbally confirmed that, (i) foreign investors may indirectly establish medical institutions through an ownership structure between January 30, 2011 and April 10, 2015 in the PRC and may hold 100% equity interests of such medical institutions, and (ii) such ownership structure is in compliance with the then effective rules and no need to be further adjusted though the 2015 Catalog was promulgated there after. Accordingly, we may continue owning and operating the medical institutions stated above through Xikang WFOE. Please refer to the “Corporate Structure after the [REDACTED]” for further details.

Following the issue of the 2015 Catalog, operation of “medical institution” established on or after April 10, 2015 in the PRC falls within the “restricted category” for foreign investment under the PRC laws and we operate our medical institutions through Contractual Arrangement. For further details, please refer to “Contractual Arrangement – Overview”.

## **RELATIONSHIP WITH NEUSOFT CORPORATION AND NEUSOFT HOLDINGS**

As of the Latest Practicable Date, (i) Neusoft Corporation, our largest Shareholder, indirectly held approximately 27.94% interest of our issued share capital through Neusoft (HK), and (ii) Neusoft Holdings, our second largest Shareholder, indirectly held approximately 23.42% interest of our issued share capital through Smartwave, Dongkong International Fifth and Dongkong International Seventh.

There is a clear delineation of businesses of Neusoft Corporation, Neusoft Holdings and their respective close associates with those operated by our Group. As of the Latest Practicable Date, each of Neusoft Corporation and Neusoft Holdings and their close associates did not operate business that competes or potentially competes with our Group’s business. Please see below main business of Neusoft Corporation and Neusoft Holdings, as well as the shareholding relationships among our Company, Neusoft Corporation and Neusoft Holdings.

### **Neusoft Corporation**

Neusoft Corporation is a company listed on the Shanghai Stock Exchange (stock code: 600718) principally engaged in software and IT service industry. According to Neusoft Corporation’s annual report of 2022, as of December 31, 2022, Neusoft Corporation is owned by Neusoft Holdings and numerous institutional investors, such as Northeastern University Technology Industry Group Co., Ltd. (東北大學科技產業集團有限公司), Alpine Electronics (China) Co., Ltd. (阿爾派電子(中國)有限公司), Alpine Electronics, Inc., SAP SE, as well as other public shareholders, totaling 61,559 shareholders. Neusoft Holdings was Neusoft Corporation’s single largest shareholder holding approximately 14.24% of its total shares, and the shareholding percentages of the other top nine shareholders of Neusoft Corporation ranged from approximately 0.6989% to 7.1040% as of December 31, 2022. Therefore, Neusoft Corporation does not have any controlling shareholder or actual controller. Dr. Liu, the chairperson of our Board and a non-executive Director, is also the chairman of Neusoft Corporation.

### **Neusoft Holdings**

Neusoft Holdings is an investment holding company and it invests in four primary industries: education, IT services, medical devices, and healthcare services. As of the Latest Practicable Date, Neusoft Holdings and its close associates did not operate business that competes or potentially competes with that of our Group. In specifically,

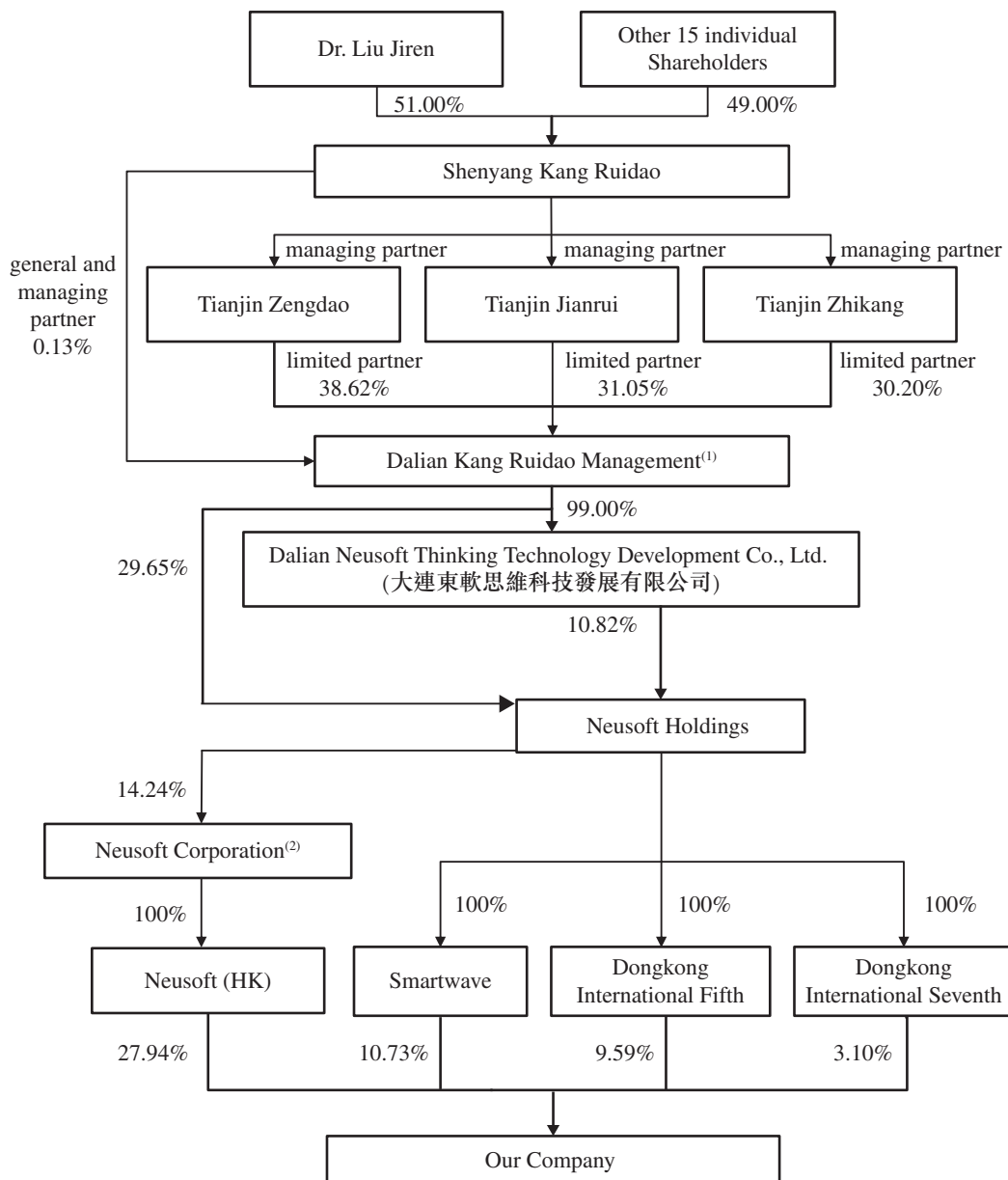
- Neusoft Medical Systems Co., Ltd. (東軟醫療系統股份有限公司) (“**Neusoft Medical**”), a company in which Neusoft Holdings held 15.51% of equity interests, is a leading provider of medical imaging solutions and services, and mainly provides digital medical devices for diagnosis and treatment, intelligent imaging services, imaging-based clinical solutions and medical image R&D services. Neusoft Medical focuses on developing, manufacturing and distributing a comprehensive range of advanced, technology-enabled imaging, therapeutic and diagnostic products (such as radiographic equipment and diagnostic ultrasound equipment) to healthcare providers. Its customers mainly include hospitals and other medical institutions. Meanwhile, our Group is devoted to offering cloud hospital platform service, Internet medical services and health management services to our customers. As

## RELATIONSHIP WITH NEUSOFT CORPORATION AND NEUSOFT HOLDINGS

such, our service can be clearly delineated from the products of Neusoft Medical and there is no competition or potential competition between the business of our Group and that of Neusoft Medical;

- Neusoft Healthcare Management Co., Ltd. (東軟健康醫療管理有限公司) (“**Neusoft Healthcare Management**”), a wholly-owned subsidiary of Neusoft Holdings. It is mainly engaged in, by itself and through its operating subsidiaries, the establishment and daily management of offline cardiovascular and dental hospitals and the provision of logistic support to these hospitals, all of which do not operate business that competes or potentially competes with that of our Group.

Set forth below is a simplified organizational chart showing the shareholding relationships among our Company, Neusoft Corporation and Neusoft Holdings.



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## RELATIONSHIP WITH NEUSOFT CORPORATION AND NEUSOFT HOLDINGS

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*Note:*

- (1) As of the Latest Practicable Date, Shenyang Kang Ruidao Consulting Co., Ltd. (瀋陽康睿道諮詢有限公司) (“**Shenyang Kang Ruidao**”) is the general and managing partner of Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) (大連康睿道管理諮詢中心(有限合夥)) (“**Dalian Kang Ruidao Management**”), holding approximately 0.13% of its partnership interest. Other three limited partners, including Tianjin Zengdao Management Consultancy Center (Limited Partnership) (天津增道管理諮詢中心(有限合夥)) (“**Tianjin Zengdao**”), Tianjin Jianrui Management Consultancy Center (Limited Partnership) (天津簡睿管理諮詢中心(有限合夥)) (formerly known as Dalian Jianrui Management Consultancy Center (Limited Partnership) (大連簡睿管理諮詢中心(有限合夥)) (“**Tianjin Jianrui**”) and Tianjin Zhikang Management Consultancy Center (Limited Partnership) (天津智康管理諮詢中心(有限合夥)) (formerly known as Dalian Fukang Engineering Technical Consultancy Center (Limited Partnership) (大連阜康工程技術諮詢中心(有限合夥)) (“**Tianjin Zhikang**”) held 38.62%, 31.05% and 30.20% of the partnership interests in Dalian Kang Ruidao Management, respectively. Shenyang Kang Ruidao is the managing partner of Tianjin Zengdao, Tianjin Jianrui and Tianjin Zhikang. Dr. Liu held 51% of the total shares of Shenyang Kang Ruidao. As such, Dr. Liu effectively controls Dalian Kang Ruidao Management, which is interested in, directly and indirectly, 40.47% of the total shares of Neusoft Holdings.
  
- (2) As of the Latest Practicable Date, Dr. Liu directly held 0.41% of equity interests in Neusoft Corporation.

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## BUSINESS

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### OVERVIEW

#### Our Company

We developed China’s first city-specific cloud hospital platform, according to Frost & Sullivan, and nurtured a cloud hospital network that connects local governments, medical institutions, patients and insurers to enable equitable access to medical resources and more effective and efficient delivery of healthcare. Through the cloud hospital network, we facilitate the delivery of Internet medical services, including online hospital services, remote medical services, smart family doctor services and Internet home care services. We also provide health management services and offer smart healthcare products. According to Frost & Sullivan, as of December 31, 2021 and September 30, 2022, we were the largest cloud hospital network in China in terms of the number of cities covered.

Digital healthcare is the integration of information technology with medical resources and practices to create new healthcare service platforms and infrastructure, and to enable stakeholders to deliver more precise and customized care with improved quality and equitable access. Through digital healthcare, we help relevant stakeholders realize healthcare transformation, to achieve digital connection between online and offline settings, inside and outside of medical institutions and among medical institutions, and solve diverse and systemic problems facing the healthcare system. We believe that the core value of cloud-based healthcare should reside with empowering all participants in the healthcare system, to align with all relevant stakeholders’ interests without disrupting the system as a whole.

As of December 31, 2020 and 2022, our network grew from 24 to 29 city-specific cloud hospital platforms in China. As of the same dates, 1,796 to 2,400 hospitals were connected to our cloud hospital network, respectively. In 2020, 2021 and 2022, approximately 512,900, 1,111,400 and 1,674,000 total online consultations took place over our platforms, respectively, and approximately 925,800, 787,000 and 839,000 prescriptions were processed over our platforms, respectively. During the same years, the volume of our remote medical services was approximately 701,000, 860,600 and 1,067,000, respectively, the volume of our smart family doctor services was approximately 1,417,600, 2,306,600 and 5,218,000, respectively, and the volume of Internet home care services was approximately 16,400, 29,900 and 54,000 over our platforms, respectively. Meanwhile, in 2020, 2021 and 2022, the volume of our health management services was approximately 475,000, 525,900 and 480,000, respectively.

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We believe our cloud hospital platforms can generate strong network effects as more hospitals and other participants join our platforms over time to expand the depth and breadth of medical resources available and extend their reach to an ever-larger group of healthcare consumers, resulting in a virtuous cycle in sustaining our growth.

In 2020, 2021 and 2022, our revenue was RMB503.0 million, RMB614.3 million and RMB687.4 million, respectively.

### Our Solutions

We have created a portfolio of solutions designed to empower the participants in the healthcare system to improve overall efficiency and effectiveness. In particular, our solutions encompass the following:

- **Cloud Hospital Platform Services.** We provide local governments, medical institutions and insurers with: (i) platform construction services that construct or upgrade cloud hospital platforms for local governments or independent cloud hospital systems for large medical institutions; and (ii) platform connection services that connect medical institutions to our cloud hospital platforms, which enable them to provide Internet medical services.

Our cloud hospital platforms typically offer six function modules, namely the online hospital services module, remote medical services module, family doctor services module, Internet nursing care services module, health management services module and chronic disease management services module. Customers are able to choose one or a bundle of such modules to be implemented in their cloud hospital platforms. These modules are developed by us, and the functions of such modules can be modified and tailored to address various healthcare needs. We generally adopt a cost-plus pricing strategy for the cloud hospital platform services. As of December 31, 2020 and 2022, our network grew from 24 to 29 city-specific cloud hospital platforms in China. As of the same dates, 1,796 to 2,400 hospitals were connected to our cloud hospital network, respectively. In 2020, 2021 and 2022, we generated 84.4%, 54.8% and 71.0% from our cloud hospital platform services offered via city-specific cloud hospital platforms, respectively.

- **Internet Medical Services.** Supported by our cloud hospital platforms, third-party and our own medical institutions can provide online and offline integrated Internet medical services consisting of online hospital services, remote medical services, smart family doctor services and Internet home care services.

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The online hospital services, including smart hospital services, online medical consultation and prescription processing and value-added follow-up management services, mainly focus on patients' consultations and management in respect of chronic diseases and are designed to increase patients' stickiness through high value-added services that are not available in the traditional offline hospital setting, especially through leveraging our participation in specialty medical consortiums.

The remote medical services help primary medical institutions expand their service capabilities to provide remote diagnosis, remote consultation and bidirectional referral services so as to achieve the same coverage and quality of care as large hospitals.

The smart family doctor services help patients and other healthcare consumers to sign up family doctors, which are typically general practitioners of primary medical institutions, to acquire personalized healthcare solutions.

The Internet home care services enable nurses to utilize their fragmented spare time to provide professional care services at the patient's premises, thereby extending nursing care from hospitals to households.

In 2020, 2021 and 2022, approximately 512,900, 1,111,400 and 1,674,000 total online consultations took place over our platforms, respectively, and approximately 925,800, 787,000 and 839,000 prescriptions were processed over our platforms, respectively. During the same years, the volume of our remote medical services was approximately 701,000, 860,600 and 1,067,000, respectively, the volume of our smart family doctor services was approximately 1,417,600, 2,306,600 and 5,218,000, respectively, and the volume of Internet home care services was approximately 16,400, 29,900 and 54,000 over our platforms, respectively. In 2020, 2021 and 2022, we generated 95.0%, 93.0% and 95.6% from our Internet medical services offered via city-specific cloud hospital platforms, respectively.

- **Health Management Services.** We provide integrated health management services to institutional and individual clients through our own medical institutions. Our institutional clients typically are government agencies, corporations, banks and insurers, who purchase our services for the benefit of their employees.

In particular, we offer comprehensive health management services, which mainly include offline health check-ups through our own medical institutions and online health management services including virtual well-being tutorials and lifestyle planning recommendations provided by our online health management professionals. Meanwhile, we provide chronic disease management services, which mainly include chronic disease condition monitoring, healthcare news feed services and intervention planning services based on individuals' chronic disease conditions.

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In 2020, 2021 and 2022, the volume of our health management services was approximately 475,000, 525,900 and 480,000, respectively. During the same periods, the revenue contribution from institutional clients for this segment was 87.0%, 85.5% and 85.7%, respectively.

- **Smart Healthcare Products.** We mainly offer Digital Clinic and Digital Pharmacy products and All-in-One Healthcare Devices to local governments and primary medical institutions as well as other smart healthcare devices to corporations and individuals to cover various healthcare needs under different settings.

For local government and primary medical institutions, our smart healthcare product offerings mainly include Digital Clinic and Digital Pharmacy products and All-in-One Healthcare Devices, among other things. These products are integrated into our cloud hospital platforms and digitize and transmit vital signs and test results to our platform, to facilitate remote medical consultations, drug delivery and establish EHRs for individuals. In 2020, 2021 and 2022, the sales volumes of our Digital Clinic and Digital Pharmacy products were 191, 188 and 178, respectively. In the same years, the sales volumes of our All-in-One Healthcare Devices were 1,994, 4,144 and 815, respectively. In general, the sales price of a standard set of our Digital Clinic and Digital Pharmacy products ranges from RMB50,000 to RMB200,000, and the sales price of our All-in-One Healthcare Device products ranges from RMB5,000 to RMB20,000.

We also provide corporations and individuals with our smart healthcare devices, which mainly include smart blood pressure monitors, smart blood glucose meters, and smart wearables, among others. These devices allow patients or healthcare consumers and their family members to better monitor and manage health. We typically have a fixed purchase price for the smart healthcare devices.

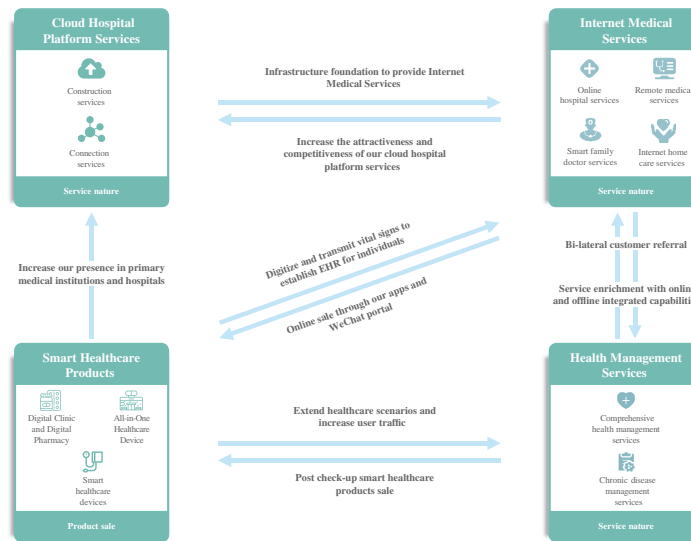
The following table sets forth our revenue breakdown by business line for the years indicated:

|  | Year ended December 31,                           |               |                |               |                |               |
|--|---|---------------|----------------|---------------|----------------|---------------|
|  | 2020  |               | 2021           |               | 2022           |               |
|  | <i>(RMB in thousands, except for percentages)</i> |               |                |               |                |               |
| Cloud hospital platform services . . . . . | 78,611  | 15.6%         | 127,967        | 20.8%         | 122,369        | 17.8%         |
| Internet medical services . . . . .        | 55,057  | 11.0%         | 93,407         | 15.2%         | 137,834        | 20.1%         |
| – Online hospital services . . . . .       | 49,240  | 9.8%          | 80,144         | 13.0%         | 117,972        | 17.2%         |
| – Remote medical services . . . . .        | 4,325   | 0.9%          | 10,248         | 1.7%          | 13,871         | 2.0%          |
| – Smart family doctor services . . . . .   | –   | –             | –              | –             | –              | –             |
| – Internet home care services . . . . .    | 1,492   | 0.3%          | 3,015          | 0.5%          | 5,991          | 0.9%          |
| Health management services . . . . .       | 222,465   | 44.2%         | 240,918        | 39.2%         | 209,199        | 30.4%         |
| Smart healthcare products . . . . .        | 146,875   | 29.2%         | 152,010        | 24.8%         | 218,013        | 31.7%         |
| <b>Total . . . . .</b>                     | <b>503,008</b>                                    | <b>100.0%</b> | <b>614,302</b> | <b>100.0%</b> | <b>687,415</b> | <b>100.0%</b> |



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The following diagram illustrates the relationships among our four business segments and the synergistic effects generated among them:



Our solutions are designed to generate synergistic effects among themselves. Our cloud hospital platform services, serving as the entry point of our solutions, connect healthcare participants to our cloud infrastructure, thereby allowing them access to our SaaS tools and medical service modules. The Internet medical services empower medical institutions to offer convenient and one-stop online and offline integrated healthcare services inside and outside of medical institutions to patients. We also provide integrated health management services through our own medical institutions to individuals and institutional clients, so as to enable them or their employees to manage health. Furthermore, the smart healthcare products have enriched the healthcare scenarios so that our solutions can benefit the end patients and healthcare consumers, and created room for us to further enrich our service offerings. We expect our solutions to further attract healthcare participants to our platforms and increase quality medical resources available through our platforms, thereby resulting in a virtuous cycle for our sustainable growth.

### CITY-SPECIFIC CLOUD HOSPITAL PLATFORMS

#### Overview

We help local governments, medical institutions and insurers build their own cloud hospital platforms through our offering of cloud hospital platforms services, in particular by establishing functional modules for local governments and developing independent institution-based cloud hospital systems for medical institutions. In some cities, such cloud hospital platforms may develop into a city-specific cloud hospital platform, on which one or more of our service offerings under the Internet medical services segment are made available to facilitate the digitization and connection of city-wide medical resources.

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The city-specific cloud hospital platform is an important feature of our solutions, concerning the cloud hospital platform services and Internet medical services. It is a regional digital healthcare platform constructed by us based on requirements of the local governments, and may include different platform functions from one another. Over such platform, one or more types of the Internet medical services are enabled to be offered by connected medical institutions. We also help operate and upgrade such infrastructure on an ongoing basis, depending on the terms of the contracts with local governments, thereby generating continual revenue from our cloud hospital platform services.

According to Frost & Sullivan, we are China's first city-specific cloud hospital platform provider. We prefer to establish cloud hospital platforms on a city level because: (i) the supply and demand of medical resources in China are typically arranged at city level and subject to the local city-level governments' overall planning and management and the demand side tends to seek medical resources at city level; (ii) we can identify and match the diversified medical demands and medical resources available in each different city through our city-specific cloud hospital platforms cost-effectively and time-efficiently; and (iii) our strategic focus on establishing city-specific cloud hospital platforms avails ourselves of the favorable government policies promoting the development of "Internet + Healthcare" services. See "Industry Overview – The PRC Digital Healthcare Services Market – Accelerated Digitization of the PRC Digital Healthcare Services Market – Drivers of the Digitalization of the PRC Digital Healthcare Services Market – Favorable Government Policies."

As local governments are usually responsible for ascertaining the generic functions and modules of city-specific cloud hospital platforms, we focus on effective communications and close cooperation with local governments at the early stage of establishing such platforms. Local governments typically recommend medical institutions within their administrative areas to connect to our city-specific cloud hospital platform. Although such recommendations are not mandatory, such medical institutions typically are incentivized to connect with us to enhance their ability to provide Internet medical services. After the initial establishment, the city-specific cloud platform typically only consists of generic functions. Medical institutions, particularly large-scale hospitals, have the need to develop customized modules and establish independent cloud hospital systems on top of the existing functions embedded in the city-specific cloud hospital platforms.

Furthermore, in general, once a city-specific cloud hospital platform is in operation, it is unlikely that such platform will be replaced entirely by technological infrastructure of another company. This has formed a relatively high entry barrier for our peers seeking to enter the digital healthcare market of such city.

In particular, our proven track record in Ningbo and Shenyang demonstrated the sustainability of our cloud hospital platform services after completion of initial platform construction. Specifically, in 2021, we entered into a contract with a local government in Shenyang to help further upgrade its existing cloud hospital platform. In 2021, we also helped more than 30 hospitals in Ningbo to develop and establish their independent cloud hospital systems to connect to the Ningbo Cloud Hospital platform.

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The following table sets forth our revenue of the cloud hospital platform services and Internet medical services generated from our Ningbo and Shenyang Cloud Hospital platforms:

|  | Year ended December 31,   |        |        |
|--|---------------------------|--------|--------|
|  | 2020                      | 2021   | 2022   |
|  | <i>(RMB in thousands)</i> |        |        |
| <b>Ningbo</b>                              |                           |        |        |
| Cloud hospital platform services . . . . . | 5,512                     | 7,088  | 4,765  |
| Internet medical services . . . . .        | 45,080                    | 70,922 | 97,277 |
| <b>Shenyang</b>                            |                           |        |        |
| Cloud hospital platform services . . . . . | 38,610                    | 16,902 | 13,844 |
| Internet medical services . . . . .        | 6,545                     | 14,061 | 27,391 |

See “– Our Solutions – Internet Medical Services – Case Study: Ningbo” and “– Our Solutions – Internet Medical Services – Case Study: Shenyang” for details.

### **Platform Network**

As of December 31, 2020, 2021 and 2022, our network consisted of 24, 28 and 29 city-specific cloud hospital platforms in China, respectively. The 29 city-specific cloud hospital platforms as of December 31, 2022 are primarily located in three regions, (i) the Yangtze River Delta (such as Ningbo), (ii) Southern China (such as Chongqing) and (iii) Northern China (such as Shenyang). These platforms covered a population of approximately 137.0 million in aggregate and the total medical expenditure in the relevant regions amounted to approximately RMB165.9 billion in 2021. Specifically, our flagship city-specific cloud hospital platforms in Ningbo and Shenyang exemplified how our solutions have been stably and successfully empowered healthcare participants in the delivery of healthcare services to drive our business sustainability. See “– Our Solutions – Internet Medical Services – Case Study: Ningbo” and “– Our Solutions – Internet Medical Services – Case Study: Shenyang” for details.

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The following map illustrates the locations of the 29 city-specific cloud hospital platforms in China as of December 31, 2022:



*Note:* The above 29 cities as of December 31, 2022 comprise Anshan, Baoshan, Chongqing, Dalian, Dandong, Hechi, Huangshan, Kunming, Lianyungang, Liaoyang, Mianyang, Nanjing, Nanning, Nantong, Neijiang, Ningbo, Putian, Shanghai, Shenyang, Suqian, Taiyuan, Tieling, Xiangtan, Xinxiang, Xuzhou, Yantai, Yichang, Zhoushan and Zibo.

We intend to further expand our presence of city-specific cloud hospital platforms to other parts of China such as the Yangtze River Delta, Pearl River Delta, the Beijing-Tianjin-Hebei Metropolitan Region, and Central and Western China. See “– Our Strategies” and “ Future Plans and Use of [REDACTED].” Going forward, we will further monetize our services through the deepened cooperation with local governments as well as medical institutions to help further enhance our capabilities in offering cloud hospital platform services and facilitating Internet medical services across the nation.

We also value the needs in cities in which we have not yet established city-specific cloud hospital platforms and we directly provide customized services to cater to local needs. In cities where we have not yet established city-specific platforms, we provide (i) cloud hospital platform services by establishing functional modules for local governments and developing independent cloud hospital systems for medical institutions; and (ii) Internet medical services after the medical institutions are connected to our cloud hospital platform deployed on a public cloud server. We believe such offerings showcase our service capabilities and lay a solid basis for cooperation potentials for the establishment of city-specific cloud hospital platforms in such cities going forward.

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Notably, we generated respectable revenue from cloud hospital platform services in cities other than those with established city-specific cloud platforms as our revenue sources expanded, which proved that we did not solely rely on cities where there are established city-specific cloud hospital platforms. In 2020, 2021 and 2022, we generated 15.6%, 45.2% and 29.0%, respectively, from cloud hospital platform services and 5.0%, 7.0% and 4.4%, respectively, from Internet medical services offered in cities where we have not yet established city-specific cloud hospital platforms.

### Tailored Strategies for Different Cities

The development of each city-specific cloud hospital platform progresses at varied rates, depending on a number of factors, including the population size, maturity of local medical and information infrastructure, extensiveness of medical networks, regulatory dynamics and public awareness and acceptance of our solutions.

We tailor development strategies based on such factors, providing different services as different entry points or selecting different types of medical institutions to initiate contact with. To better serve the unique situations of different cities, we carefully tailor development strategies and design, develop and offer customized modules and services for each city-specific cloud hospital platform based on local situation. For example, if the information technology development level of primary medical institutions in certain cities in Southern China is relatively low, they are more incentivized to connect to our platform to digitalize their operations. Accordingly, we may elect to connect with a large number of primary medical institutions first, and then hospitals in such cities, or the other way around in other cities. Also, we may initially offer different types of services in different cities based on our understanding of the local needs. For cities where local governments focus on solving the problems of long-term care of the elderly, like Kunming, we initially provided Internet home care services, and for cities where local governments intend to strengthen primary healthcare servicing capabilities, like Liaoyang, we initially provided smart family doctor services. As a result, the specific service offerings and revenue growth from the city-specific cloud hospital platforms in different cities may vary significantly, depending on the development strategies we adopt.

Among our 29 city-specific cloud hospital platforms as of December 31, 2022, we have gradually identified and focused on 8 cities with strong potential and favorable local factors for Internet medical services. We actively promote Internet medical services by deploying local operational teams and devoting more resources to these cities, some details of which are set forth below:

| <u>City</u>         | <u>Time of completion of the platform</u> |
|---------------------|---|
| Ningbo . . . . .    | 2016                                      |
| Shenyang . . . . .  | 2017                                      |
| Chongqing . . . . . | 2020                                      |
| Nanjing . . . . .   | 2019                                      |

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| City               | Time of completion of the platform                    |
|--------------------|---|
| Dalian . . . . .   | 2020  |
| Nanning . . . . .  | 2021  |
| Kunming . . . . .  | Still under construction, completion expected in 2023 |
| Shanghai . . . . . | Still under construction, completion expected in 2023 |

### OUR STRENGTHS

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

#### **China’s largest cloud hospital network committed to transforming the delivery of care**

We developed China’s first city-specific cloud hospital platform in Ningbo in 2015, according to Frost & Sullivan, and created a unique city-specific cloud hospital platform model rooted in the city context. Leveraging our rapid replications of such model in other cities since then, we have nurtured a cloud hospital network that connects local governments, medical institutions, patients and insurers to enable equitable access to medical resources and more effective and efficient delivery of healthcare. As of December 31, 2022, our network consisted of city-specific cloud hospital platforms in 29 cities in China. According to Frost & Sullivan, as of December 31, 2021 and September 30, 2022, we are the largest cloud hospital network in China in terms of the number of cities covered. In addition, according to Frost & Sullivan, as of December 31, 2021, we ranked third in terms of the total number of medical institutions (including both primary medical institutions and hospitals) connected to digital healthcare platforms. Our network covered 3.4% and 5.8% of the total number of medical institutions and hospitals, respectively, in China as of the same date.

We intend to align with all relevant stakeholders to solve diverse and systemic problems. We believe that the core value of cloud-based healthcare should reside with empowering all participants in the healthcare system, as opposed to displacing the incumbents that could run the risk of conflicts of interest or disrupting the system as a whole. Accordingly, our cloud hospital platform model was designed to bridge the gaps among the participants in the healthcare system to achieve synergistic optimization of city-wide healthcare operations in terms of cost saving, efficiency and patient experience.

For example, the Ningbo Cloud Hospital platform is the dominant role model in Zhejiang province. As China’s first city-specific cloud hospital platform according to Frost & Sullivan, it has achieved real-time monitoring, seamless connectivity and evident synergies between offline and online care, driven by a full implementation of EMRs. We aimed to align with all relevant stakeholders in developing and operating the Ningbo Cloud Hospital platform, and continually focused on creating value for all participants including local governments, medical institutions, patients and insurers. All of the public medical institutions in Ningbo had joined

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the Ningbo Cloud Hospital platform by December 2020, according to the Health Commission of Ningbo. In 2020, 2021 and 2022, the penetration rate (calculated as the number of hospitals connected to our platforms as a percentage of the total number of hospitals in 2020 in the respective city) in Ningbo was generally higher than 40%. In particular, the service volume of our Internet home care services increased from 5,900 in 2020 to 11,000 in 2021 and further to 23,000 in 2022, combined with an increase in the number of nurses on the Ningbo Cloud Hospital platform from 5,600 in 2020 to 6,200 in 2021 and further to 8,700 in 2022. The proven success of the Ningbo Cloud Hospital platform exemplified how we helped the local healthcare system achieve efficiency of healthcare services and realize our own rapid business growth and monetization.

Through city-specific cloud hospital platforms, we help certain local governments aggregate and process multisource heterogeneous data from medical institutions and various government agencies at city and provincial levels, so that these data are leveraged to generate insights and evidence for policy making and outcome evaluation, and implement population health management initiatives. As of December 31, 2022, we had established and operated three provincial-level Internet healthcare service supervision platforms in Jiangsu, Liaoning and Yunnan provinces.

### **Replicable and scalable cloud hospital platform model**

Our cloud hospital platform model is replicable and scalable. Augmented by our years of expertise in developing and operating cloud hospital platforms, this model can be rapidly implemented in new cities and is sufficiently flexible to accommodate city-specific particularities, while it is scalable to continually penetrate existing cities to connect more healthcare participants, enhance the breadth and depth of our solutions and incorporate additional functionalities such as integration of insurance systems and advanced models of smart healthcare devices.

We have been continually optimizing our cloud hospital platform model since its inception, for which we have developed a well-proven approach, spanning from identifying the varied demands of different healthcare participants, refining processes of healthcare delivery, and coordinating among the disparate participants, to offering education and operational support in relation to our cloud hospital platforms. Leveraging our in-depth understanding of the pain points facing the PRC healthcare industry and expertise in expanding our city-specific cloud hospital platforms, we analyze and gain insights into the particularities of the local healthcare landscapes and adopt customized approaches to address the more urgent local needs, when applying our model to a new city.

In particular, the number of cities for which we have established city-specific cloud hospital platforms increased from only one in 2014 to 24 as of December 31, 2020, and further increased to 29 as of December 31, 2022. This demonstrates the replicability of our cloud hospital platform model in different cities.

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Meanwhile, our cloud hospital platform model is scalable. We first established city-specific cloud hospital platforms in Ningbo in 2014 and Shenyang in 2015. The city-specific cloud hospital platforms in both cities recorded continuously growing revenue from the cloud hospital platform services and Internet medical services after seven and eight years from their platform inception, respectively. Revenue of the cloud hospital platform services and Internet medical services generated from our Ningbo Cloud Hospital platform increased from RMB50.6 million in 2020 to RMB78.0 million in 2021, and further to RMB102.0 million in 2022. Such increases were generally attributable to the increase in the service volumes of the online hospital services.

We replicated this model in Shenyang in 2015. Revenue of the cloud hospital platform services and Internet medical services generated from our Shenyang Cloud Hospital platform decreased from RMB45.2 million in 2020 to RMB31.0 million in 2021, despite general increases in the service volumes of the online hospital services and remote medical services in 2021; it further increased to RMB41.2 million in 2022.

In addition, specific government policies encourage the replication of our cloud hospital platform model in other cities. The provincial government of Zhejiang has issued a provincial-level policy for the expansion of Internet home care services in August 2022, which is expected to significantly and positively affect our prospects within Zhejiang province to provide Internet home care services. Pursuant to such policy, Internet home care services are encouraged by the government to be adopted by all cities in Zhejiang province by 2023, relying on the Internet home care services infrastructure constructed and operated solely by us. As the Ningbo Cloud Hospital platform is deployed via the Internet home care services infrastructure and is referred to as a role model of Zhejiang province by the provincial government of Zhejiang in terms of digital healthcare application, we would be highly likely providing Internet home care services for all cities in Zhejiang province, and Ningbo Cloud Hospital platform will be likely replicated as a role model in other cities without the need to build brand new platforms for each individual city.

The replicability and scalability of our model are also attributable to our strong technological and data capabilities. This model has been developed upon our cloud hospital platform, a cloud-based healthcare infrastructure that integrates technologies in mobile Internet, IoT, cloud computing, big data and AI. These technologies enable us to build functionalities in a modular way, which makes the deployment of our cloud hospital platform model easier and faster, while retaining great flexibility in customization based on the specific circumstances of a city. For details on our cloud hospital platform, see “– Technology and Infrastructure.”

As of December 31, 2020 and 2022, our network grew from 24 to 29 city-specific cloud hospital platforms in China. Recognizing the benefits of our platforms in realizing their healthcare policy goals, local governments may promote our solutions in their own initiatives, which helps us increase penetration in the relevant cities more cost-effectively. As of December 31, 2020 and 2022, 1,796 and 2,400 hospitals were connected to our cloud hospital network, respectively. As more hospitals join our network over time, we believe that our cloud



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hospital platforms will attract more local governments, medical institutions, patients and insurers as well as other participants to enjoy the benefits they create, which is expected to expand the depth and breadth of medical resources available and extend their reach to an ever larger group of healthcare consumers, resulting in a virtuous cycle with significant network effects on our business.

### **Comprehensive solution portfolio to realize continuity through the full cycle of healthcare**

We have designed a number of adaptable solutions to achieve continuity through the cycle of healthcare. Our diversified online and offline integrated service offerings empower medical institutions and professionals to serve patients with varied conditions in primary, secondary and convalescent care, and we have also launched health management services to address healthcare consumers' needs for maintaining a healthy lifestyle.

We connect primary care providers such as primary medical institutions and primary care practitioners with top hospital specialists through our remote medical services, which help primary care providers expand their service capabilities so as to achieve the same coverage and quality of care as large hospitals. This can, in turn, improve patients' confidence in primary care providers, and enable more effective distribution of medical resources. As of December 31, 2022, our platforms connected with 35,500 medical institutions, including 33,000 primary medical institutions, with approximately 113,000 registered doctors.

By integrating medical resources at large hospitals over our platforms, we empower secondary care providers to offer a continuum of online and offline integrated healthcare services before, during and after medical consultations. By digitizing appointment making and check-up report inquiries, our smart hospital services facilitate more efficient and pleasant hospital visits for patients, and improves overall hospital operations. Other healthcare services available on our platforms include post-discharge follow-ups, drug delivery and home care, all easily accessible by patients, which are expected to drive positive care outcomes, reduce hospital re-admissions and provide convenience to patients.

We also facilitate Internet home care services for individuals with complex or progressive illnesses or severe disabilities who lack the care they need in the community or at a long-term care facility. Leveraging our close cooperation with a large number of hospitals across China, we are able to precisely identify potential patient groups with needs for continuing care, and, accordingly, convert them to users of our cloud hospital platforms. This also aligns with the interests of the hospitals, as the connectivity of data of patients receiving continuing care through our platforms enables hospitals to have better visibility of bed access and more efficient remote monitoring of individual patients. We commenced the Internet home care services in Ningbo in 2016, one of earliest in the PRC healthcare industry, according to Frost & Sullivan. As of December 31, 2022, Internet home care services provided by approximately 870 medical institutions were available on our platforms, with approximately 38,000 registered nurses. In 2020, 2021 and 2022, the volume of the Internet home care services was approximately 16,400, 29,900 and 54,000 over our platforms, respectively, growing at a CAGR of 81.5% from 2020 to 2022.

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Moreover, we provide offline health management services to institutions and individuals, customized based on customer groups’ varied needs. Capitalizing on our own medical institutions, we offer health check-ups, health information as well as related value-added services, and customers can opt to utilize the professional healthcare services available on our cloud hospital platforms. In addition, we provide EMR-based chronic disease management services to patients. They can upload measurement data to our platforms through mobile devices, which is then accessible by doctors to carry out real-time monitoring and intervention. In particular, our chronic disease management services provided to rural hypertension patients in certain regions of China were found to associate with approximately 33.3% risk reduction of cardiovascular disease events and improvement in blood pressure control. We are also proactively working with medical insurers in promoting a managed healthcare project with respect to outpatient chronic disease patients in a city in China.

### **In-depth understanding of medical specialties to integrate quality medical resources and ensure quality of healthcare delivery**

Leveraging our in-depth understanding of medical specialties, we are able to integrate quality medical resources and implement stringent quality control measures to safeguard the quality and security of care delivery.

We team up with renowned medical institutions and top medical groups in China to form “medical specialty consortiums.” Collaborating with such consortiums, we have formulated standard medical specialty-based processes, systems and programs in areas such as cardiology, obstetrics, pediatrics, oncology and specialized care. Such programs are designed to optimize the delivery of healthcare, and help other medical institutions offer professional, standardized and specialized medical services. We also built these programs into our cloud hospital platforms, to further empower the healthcare providers in our network, particularly primary medical institutions and primary care practitioners. Such collaborations also enable us to develop diversified service offerings on our platforms to serve the elderly, patients with chronic diseases, women, children and tumor patients, among others.

We have cooperated with the cardiology department of a Class III Grade A hospital in Shanghai to develop standard processes for post-discharge follow-ups, with a view to enhancing recovery of patients with cardiovascular diseases and preventing re-admissions. As of December 31, 2022, standard processes for post-discharge follow-ups were developed for 43 cardiovascular diseases. We have also collaborated with a renowned national medical group of cardiologists in forming and operating the cardiology consortium, and established a sorting system for patients with cardiovascular diseases based on the capabilities of medical institutions and complexity of treatments to optimize the deployment of medical resources and patient welfare. Through such sorting system, large hospitals are able to focus on intractable medical conditions and urgent and acute cases such as valve and artificial heart surgeries with general hospitals focusing on diagnosis and treatment services for relatively complex medical conditions such as percutaneous coronary intervention treatment and coronary artery bypass surgeries, while primary medical institutions are also responsible for basic healthcare services such as chronic disease management and recovery.

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Moreover, we have formed and operate a maternal and child health consortium in Shanxi province through cooperation with a Class III Grade A hospital. As of December 31, 2022, this consortium served 242 alliance hospitals in Shanxi province in organizing a well-rounded maternal and child health practice. We have also founded and operate a reproductive health consortium with medical institutions, including a Class III Grade A hospital in Jilin province, which connected 50 alliance hospitals in 28 cities of four provinces as of December 31, 2022.

Leveraging years of experience gained from operating and managing medical institutions on our own as well as our capabilities in building regulatory supervision platforms for Internet healthcare services, we are equipped with strong abilities to oversee the quality of care delivery. We believe such abilities are the cornerstone of sustainable and long-term growth of our platforms and solutions. For example, for Internet home care services, we strictly require nurses to have more than five years’ working experience in accordance with relevant PRC requirements. Before they commence services, all the nurses must complete nursing care training carried out by medical institutions. For certain specialized nursing care projects, such as wound stoma care, peripherally inserted central catheter care, peritoneal dialysis care, pressure ulcer care and T-tube care, nurses must obtain relevant certificates after passing academic training and tests approved by medical institutions. For postpartum rehabilitation, infant rehabilitation and other maternal and child nursing programs, nurses are required to have first-hand nursing experience and relevant nursing qualifications.

### **Visionary management team and industry-leading and supportive shareholders**

Our management team consists of members with in-depth understanding of China’s Internet and healthcare industries, and rich management experience or entrepreneur success in big data analytics and delivery of care. On average, our senior management members have 15 years’ experience in technology, healthcare, insurance and/or regulatory affairs.

Our Chairperson, Dr. Liu Jiren, is a well-regarded leading figure in the PRC software industry, with more than 35 years’ experience. As a co-founder of Neusoft Corporation, he has led the growth of Neusoft Corporation since its establishment in 1991. Before then, Dr. Liu was a lecturer and director of the Software Research Center at Northeastern University in China. At present, Dr. Liu serves as vice chairman of the China Software Industry Association and executive council member of the China Association of Automation. Dr. Liu was honored with the 2019 EY Entrepreneur Of The Year Alumni Award for Societal Impact. In 2018, Dr. Liu was among the “100 Outstanding Entrepreneurs of the Private Sector during the 40 Years since the Chinese Economic Reform” issued by the All-China Federation of Industry and Commerce. In addition, Dr. Liu was recognized as the 2009 CCTV China Economic Person of the Year.

Our CEO, Ms. Zong Wenhong, has over 12 years’ management experience in the healthcare industry. She was previously a general practitioner with extensive clinical experience and received intermediate qualifications in obstetrics and gynecology, internal medicine and general medicine from the National Health Commission of the PRC. Ms. Zong also holds a master’s degree in software engineering, and previously served at local administrations of health technology and informatization as well as social security.

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We also benefit from our industry-leading and strategic shareholders, such as Neusoft Corporation along with its pan-healthcare alliance, and PICC P&C. Their respective well-established market positions and expertise in software and insurance can help us better promote our platforms and solutions. We also receive endorsement from leading financial investors including Hony Capital, 6 Dimensions Capital and Goldman Sachs.

In particular, Neusoft Corporation is a large-scale service provider in healthcare solutions and data technology in China, with 30 years' industry experience in software engineering and IT. We have gained valuable insights into the healthcare and technology industries and acquired deeper understanding of the pain points of the PRC healthcare system from the industry experience shared by Neusoft Corporation, and benefitted from the extensive business relations maintained by Neusoft Corporation in our business development activities. Meanwhile, we have also benefited from our participation in a pan-healthcare alliance led by Neusoft Corporation, which alliance was formed among certain Neusoft Corporation's investee companies in the healthcare and related sectors with an aim to create smart and healthy cities with data and technology. Our collaboration with other alliance members has both generated business opportunities and helped strengthen our service capabilities. For example, we have cooperated with members of the pan-healthcare alliance in the integration of social medical insurance into our platforms and development of IT solutions for hospitals, and in respect of a managed healthcare project that aims to control social medical insurance spending relating to chronic diseases.

### OUR STRATEGIES

To realize our mission to empower the healthcare transformation through information technology, we plan to pursue the following strategies:

#### **Further expand our cloud hospital network**

We plan to further expand our cloud hospital network to new cities and enrich our service offerings and capabilities on our existing city-specific cloud hospital platforms, thereby enlarging our network of medical institutions and attracting new and maintaining existing users. We plan to use approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], approximately HK\$[REDACTED], for expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base. For details, see "Future Plans and Use of [REDACTED]." In particular, we intend to further expand our presence of city-specific cloud hospital platforms to other affluent and remote parts of China. We aim to form a nationwide network of cloud hospital platforms to achieve more efficient distribution of medical resources in the healthcare system.

With reference to evolving regulatory dynamics, we also intend to focus on the integration of social medical insurance into our platforms to cover more types of eligible services and serve more patients in more cities.

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### **Enrich specialized healthcare service offerings and clinical application settings**

We aim to further strengthen our collaborations with medical specialists of different areas at top medical institutions, and enhance and diversify our medical specialty-based service offerings to address the diversified needs of patients, thereby further improving their experience and enlarging the user base of our cloud hospital platforms. Meanwhile, we intend to continually work with medical specialty consortiums to develop medical specialty-based processes, systems and programs to diversify the clinical application settings in which we empower primary medical institutions. Accordingly, we expect to further improve the quality of care delivered at such primary medical institutions and the overall satisfaction of both care providers and patients. In particular, we expect to expand our portfolio of processes, systems and programs to cover medical specialties such as diabetes and oncology. We plan to use approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], approximately HK\$ [REDACTED], for enriching our offerings across the industry value chain to provide more professional and diversified healthcare services. For details, see “Future Plans and Use of [REDACTED].”

In addition, we intend to diversify monetization channels through expanding our service coverage to insurance and health management services, while continually exploring the potential of online to offline healthcare services including long-term care management, chronic disease management and elderly care.

### **Continually strengthen our technology and data capabilities**

We plan to continually improve the technology infrastructure of our platforms and our data processing and security capabilities. We intend to increase investments in research and development to enhance the security, reliability and flexibility of our cloud hospital platforms. We also intend to continually integrate big data analytics, AI and blockchain technology into our platforms to further enhance our service capabilities. Specifically, we plan to use blockchain technology to: (i) further enhance the connections between local governments and medical institutions, including the management of patients’ medical record and health record; (ii) further strengthen the protection of personal private information; and (iii) enhance the operating efficiency with business partners using blockchain technology to provide more comprehensive services to individuals going forward. We plan to use approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], approximately HK\$[REDACTED], for research and development on technology infrastructure and data capabilities. For details, see “Future Plans and Use of [REDACTED].”

In addition, we plan to increase cooperation with leading technology companies and attract more talents in healthcare, technology, insurance, big data, AI and other areas to join our workforce.

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### **Improve quality controls of healthcare services**

We intend to continually improve quality control of healthcare services on our cloud hospital platforms. Through close cooperation with regulators and professional institutions such as public health agencies, medical associations and nursing societies in major cities, we aim to enhance the quality control systems over quality of care, and reinforce the supervision of services rendered through our cloud hospital platforms. In particular, we expect such cooperation could further increase the servicing capabilities of primary medical institutions to provide professional, standardized and specialized medical services.

### **Selectively pursue strategic cooperation and mergers and acquisitions**

We plan to enrich the healthcare service offerings on our platforms through strategic cooperation and mergers and acquisitions, so as to create additional value for stakeholders of the healthcare system. We prefer (i) companies that focus on servicing particular medical specialties and patients with chronic diseases, (ii) tech companies in AI, data mining and security, among other things, and (iii) smart healthcare device manufacturers as our strategic partners or investment and merger and acquisition candidates, with a view to integrate their capabilities into our cloud hospital platforms and solutions. We also actively seek strategic cooperation opportunities with commercial insurers. We plan to use approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], approximately HK\$[REDACTED], in the next three to five years, for potential mergers and acquisitions opportunities. For details, see “Future Plans and Use of [REDACTED].”

As of the Latest Practicable Date, we have not identified any potential investment or acquisition target or entered into any definite investment or acquisition agreement.

## **OUR VALUE PROPOSITIONS**

Leveraging the integration of technology and data, our cloud hospital platforms connect healthcare providers, medical professionals, patients and insurers in China with a seamless flow of information to aid the healthcare system to achieve greater productivity and efficiency while allowing patients to access sustainable, comprehensive and high-quality care.

We intend to involve all relevant participants to solve diverse and systemic problems. In particular, we work closely with local governments to establish and operate city-specific cloud hospital platforms based on our cloud-based infrastructure, which unites regional medical resources and enables the sharing of data, knowledge and patients’ demand among healthcare providers. We also provide management tools to insurers to help them control risks.

Meanwhile, we empower medical institutions to provide convenient online and offline integrated healthcare services to patients throughout the whole cycle of healthcare. Our service offerings cover the typical course of hospital visit, post-discharge care on an ongoing basis, and daily health management to maintain a healthy lifestyle. In addition, we also offer smart healthcare devices and other products to assist healthcare providers and patients in better monitoring patients’ health conditions, thereby increasing satisfaction among both providers and patients.

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Our cloud hospital platforms have value propositions for each of their participants. Our collective relationship with them is crucial to the continuing strength and value of our platforms. We believe our solution is poised to empower these participants, transform the PRC healthcare industry and enable efficient utilization of healthcare resources.

- ***Value proposition to local governments:*** The digitization and standardization of healthcare services enabled through our city-specific cloud hospital platforms can effectively enhance the equitable access to quality care among people in the region and foster meaningful utilization of medical resources to save costs, thereby helping increase the efficiency of healthcare spending (for example, through our online hospital services). This also provides government agencies with visibility into demographic health trends for purposes of strategic planning. The integration of social medical insurance systems into our cloud hospital platforms also gives local governments transparency in the reimbursement of medical bills.
- ***Value proposition to healthcare providers:*** Our cloud hospital platforms and solutions aggregate and organize healthcare data for healthcare providers, thereby helping them streamline medical processes and improve efficiency. Medical institutions and professionals are empowered by our cloud hospital platforms to provide online and offline integrated healthcare services to individuals, including internet consulting, online prescription processing, value-added follow-up management services, internet nursing services, and premium health management and consultation services provided online or out-of-hospital, to some extent relieving the pressure on the capacity of medical institutions. In particular, primary medical institutions are able to improve their service capabilities through access to specialty-based medical resources on our platforms, through our remote medical services and internet nursing services, so as to offer better quality of care to an aging population. Our smart healthcare products are connected to our platforms and can provide real-time health statistics of patients to healthcare providers to aid efficient clinical decisions and reduce hospital re-admission.
- ***Value proposition to patients and other healthcare consumers:*** Our solutions help address the issue of poor healthcare service experience for individuals in the PRC healthcare services industry. Our platforms offer a one-stop portal for individuals to easily access extensive healthcare resources in a cost-effective and convenient manner both online and offline and within- or out-of-hospital through the apps or WeChat accounts of local governments and hospitals, and our own "Xixin Health" channel and our own medical institutions. Individuals also enjoy a user experience that is different from the traditional healthcare experience. Our service offerings cover patients' and other healthcare consumers' needs when they are seeking care for illness and seeking to maintain a healthy lifestyle, and facilitate the continuity of healthcare in primary, secondary and convalescent care. In particular, the Internet home care services extend nursing care from hospitals to households, enabling individuals with complex or progressive illnesses or severe disabilities to receive specialized care. Patients with chronic diseases can also connect their smart healthcare devices to their accounts on our platforms, which allows medical professionals and themselves to track and manage their health.

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- Value proposition to insurers:** We collaborate with commercial medical insurers to provide their policyholders with health management services to promote health behaviors and improve their health conditions, and help these insurers implement standardized review procedures regarding reimbursement of medical bills, thereby facilitating the efficient use of insurance proceeds through improved single hospital service capabilities and better coordination of medical institutions within the region, as well as access to top-tier medical resources outside the region.

### OUR SOLUTIONS

#### Cloud Hospital Platform Services

We provide local governments, medical institutions and insurers with: (i) platform construction services that construct or upgrade the cloud hospital platforms for local governments or independent cloud hospital systems for large medical institutions; and (ii) platform connection services that connect medical institutions to our cloud hospital platforms, which enables them to provide Internet medical services.

The following table sets forth a breakdown of our revenue from the cloud hospital platform services by customer for the years indicated:

|  | Year ended December 31,                           |              |                |              |                |              |
|--|---|--------------|----------------|--------------|----------------|--------------|
|  | 2020  |              | 2021           |              | 2022           |              |
|  | Amount  | %            | Amount         | %            | Amount         | %            |
|  | <i>(RMB in thousands, except for percentages)</i> |              |                |              |                |              |
| Local governments <sup>(1)</sup> . . . . | 57,240  | 72.8         | 82,354         | 64.4         | 61,171         | 50.0         |
| Medical institutions . . . .             | 11,718  | 14.9         | 29,443         | 23.0         | 48,363         | 39.5         |
| Others <sup>(2)</sup> . . . . .          | 9,653   | 12.3         | 16,170         | 12.6         | 12,835         | 10.5         |
| <b>Total . . . . .</b>                   | <b>78,611</b>                                     | <b>100.0</b> | <b>127,967</b> | <b>100.0</b> | <b>122,369</b> | <b>100.0</b> |

(1) The revenue contribution from local governments decreased as a percentage of the segment revenue from cloud hospital platform services during the Track Record Period, mainly because the local governments or relevant health authorities had devoted many resources to combating COVID-19, which had slowed down the business negotiation or engagement process with us in respect of their cloud hospital platform projects.

(2) Others mainly refers to corporations such as pharmaceutical suppliers and delivery companies. Meanwhile, we did not charge any fees for our cloud hospital platform services provided to insurers during the Track Record Period. For details, see “– For Insurers.”



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We generally adopt a cost-plus pricing strategy for cloud hospital platform services. After evaluating the scale and complexity of a potential project, we evaluate the time and human resources needed for undertaking such project and charge a markup to formulate the bidding price. The bidding price may be further adjusted based on various commercial considerations, such as level of competitiveness in the bidding phase, customer relationship, industry norm pricing for similar projects, and whether the project can bring any strategic benefits to us. In 2020, 2021 and 2022, the percentage of recurring revenue (calculated as the repurchase revenue, regardless of the type of services it relates to, from existing customers of this segment as a percentage of the total segment revenue of that year) remained relatively stable at about 30% of the total revenue of our cloud hospital platform services segment.

We believe the creation of a cohesive architecture for healthcare will diminish the walls between healthcare participants, as information travels seamlessly among care settings.

Our cloud hospital platform is the foundation of our solutions. We started to develop the technological infrastructure for our cloud hospital platform for cloud hospital platform services in 2014, when we were constructing the first city-specific cloud hospital platform in Ningbo, according to Frost & Sullivan. It is a cloud-based digital healthcare platform, which is a patient-centric and provider-centric cloud computing architecture that integrates clinical, financial and management information systems. Designed to scale at a population level, our cloud hospital platform is able to aggregate multiple data sources and organize actionable data for multiple participants in the healthcare system. Based on the cloud hospital platform, we have created a unique city-specific cloud hospital platform model. For details, see “– Technology and Infrastructure.”

Local governments and medical institutions are able to choose one or a bundle of several modules in accordance with their specific needs. These modules are developed by us, and the functions of such modules can be modified and tailored for different contexts. We continue to customize solutions to meet the evolving demands for local governments, medical institutions, doctors and nurses on such platforms to address the needs of patients. There are six typical modules available on our cloud hospital platforms, the details of which are set forth below:

- Online hospital services module (互聯網醫院服務模塊). The online hospital services module enables medical institutions to provide a comprehensive array of online hospital services that covers the whole cycle of healthcare. It primarily comprises (i) a smart hospital service system, (ii) an Internet consultation system, and (iii) a follow-up management system. The smart hospital service system has functions such as smart patient-sorting, appointment-making and payment for consultations. The Internet consultation system has functions such as online consultations, follow-up consultations and prescription processing. The follow-up management system has functions such as in-patient check-in and follow-up planning.

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- Remote medical services module (遠程醫療服務模塊). The remote medical services module comprises a (i) remote diagnosis system, (ii) remote consultation system, (iii) bidirectional referral system, and (iv) remote medical training system. The remote diagnosis system provides functions such as cloud storage, cloud-based picture archiving and communication system (cloud PACS), imaging diagnosis tools and cloud reporting. The remote consultation system provides functions such as collaborative outpatient services and remote clinical consultations. The bidirectional referral system provides functions such as hospital bed information-sharing, referral appointment-making and referrals among medical institutions of all levels. The remote medical training system allows medical experts of large hospitals to provide training to practitioners at primary medical institutions.
- Family doctor services module (家庭醫生服務模塊). The family doctor services module comprises a (i) family doctor sign-up system, and (ii) family doctor service system. The family doctor sign-up system has functions such as resident health record registration and sign-up management. After a resident signs up for a family doctor through our system, he or she can further access the family doctor service system, where online consultation, follow-up consultation and prescription processing services are provided. The family doctor service system can also connect to our smart healthcare products, medical institutions' information systems and local governments' public health management systems.
- Internet nursing care services module (互聯網護理服務模塊). The Internet nursing care services module comprises (i) a home care system, and (ii) an online care inquiry system. The home care system provides functions such as order taking, patient management, order management and consumables management. This system also provides functions such as service recording, privacy protection of calls and service location recording for record-keeping purposes; while it also provides functions such as an emergency SOS and bundled care recorder to ensure the safety of nurses that provide care. The online care inquiry system provides the online inquiry function.
- Health management services module (健康管理服務模塊). The health management services module comprises a (i) health management operation system, (ii) smart check-up system, and (iii) post-check up health management system. The health management operation system provides functions such as service package management, sales management and billing management. The smart check-up system provides functions such as check-up appointment, smart check-up guidance, specialty workstation and check-up report smart analysis. The post-check up health management system provides functions such as report interpretation, follow-up management and health information.

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- Chronic disease management services module (慢病管理服務模塊). The chronic disease management services module provides functions such as smart healthcare device management, chronic disease planning management, chronic disease record-keeping, smart monitoring and alerts and medication reminders. This module supports real-time monitoring, uploading and management of personal health data generated from smart healthcare devices produced by a number of mainstream manufacturers in China and overseas. This module covers medical specialties relating to chronic diseases such as hypertension and diabetes.

Our competitive edges for cloud hospital platform services mainly include: (i) a comprehensive suite of six function modules which caters to the needs of our platform users; (ii) economies of scale and reduced development and implementation costs of establishing new cloud hospital platforms, benefiting from years of expertise and experience in developing and operating such platforms; and (iii) solid business development capabilities and relationships with local governments and medical institution customers, given our established market position and first-mover advantages within respective cities.

### *For Local Governments*

We provide platform construction services to enable local governments to quickly develop digital healthcare infrastructure to facilitate the digitization of the local healthcare landscapes and the standardization of healthcare services. In some cities, we enter into agreements with local governments to establish city-specific cloud hospital platforms, on which one or more of our service offerings under the Internet medical services segment are made available to facilitate the digitization and connection of city-wide medical resources. We construct city-specific cloud hospital platforms based primarily on requirements of the local governments, and may include different platform functions from one another. We also help operate and upgrade such infrastructure on an ongoing basis, depending on the terms of the contracts with local governments.

In 2015, we developed China’s first city-specific cloud hospital platform in Ningbo, according to Frost & Sullivan. For details about our Ningbo Cloud Hospital platform, see “– Our Solutions – Case Study: Ningbo.” Since then, we have contracted to provide platform construction and platform connection services to several local governments at a municipal or provincial level to build city-specific cloud hospital platforms in cities.

Meanwhile, in other cities, we provide local governments with standalone function modules that help them to build their own cloud hospital platforms as part of their medical information infrastructure.

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### *Regional Supervision Platforms*

Through city-specific cloud hospital platforms, we help certain local governments aggregate and process multisource heterogeneous data from medical institutions and various government agencies at city and provincial levels, so that these data are leveraged to generate insights and evidence for policy-making and outcome evaluation. We have also built regulatory supervision platforms for local governments. In accordance with relevant regulations, a hospital seeking to acquire Internet hospital licenses must connect to the provincial-level Internet medical service supervision platform of its location. These regulatory supervision platforms are designed to safeguard the safety and compliance of the provision of Internet healthcare services. The major functions of such platforms include review of Internet hospitals, supervision of operations of Internet hospitals, safety and quality controls and policy-making analysis. As of December 31, 2022, we had established and operated three provincial-level Internet healthcare service supervision platforms including in Jiangsu, Liaoning and Yunnan province. The contract terms of our agreements with the such provincial-level Internet healthcare service supervision platforms range from one to three years. Under such agreements, we charge service fees for the establishment and maintenance of the relevant platforms.

### *Key Contractual Terms*

We provide platform construction services to enable local governments to quickly develop digital healthcare infrastructure to facilitate the digitization of the local healthcare landscapes and the standardization of healthcare services. Such infrastructure is scalable to serve and connect with the population and medical institutions of a whole city. It is able to aggregate and organize data from multiple sources across the entire process of medical care, with a view to creating synergistic optimization of the city-wide healthcare operations in terms of cost saving, efficiency and experience.

We typically go through a tender and bidding process in obtaining contracts with local governments to provide cloud hospital platform services. Our tender success rate with local governments was 83%, 83% and 89%, respectively, in 2020, 2021 and 2022. For more details on the tender and bidding process, see “– Our Customers – Project Tender and Bidding.”

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We typically enter into long-term master or framework agreements with local governments. After signing such agreements with local governments and completing the construction of city-specific cloud hospital platforms, we focus more on the operation of our city-specific cloud hospital platforms. This may be followed by separately signed individual contracts pursuant to the relevant master or framework agreements on subjects such as connection by medical institutions to the city-specific cloud hospital platforms or continual platform upgrade when the need arises. These individual contracts may have their own respective expiration dates. The terms of such agreements typically range from three to ten years, or the agreements do not specify any expiration year. The following table sets forth a breakdown of the number of city-specific cloud hospital platforms by expiration year of the master or framework agreements as of December 31, 2022:

|  | <b>As of<br/>December 31,<br/>2022</b> |
|--|--|
| By 2023. . . . .                           | 2                                      |
| By 2024. . . . .                           | 5                                      |
| By 2025. . . . .                           | 2                                      |
| By 2026. . . . .                           | 1                                      |
| By 2027. . . . .                           | 3                                      |
| By 2028. . . . .                           | 1                                      |
| Without specific expiration year . . . . . | 15                                     |
| <b>Total. . . . .</b>                      | <b>29</b>                              |

In addition, these master or framework agreements with local governments typically set out terms including, but not limited to, scope of services and deliverables, contract amount, the length of the agreement (if with expiry dates), milestones and the respective required dates of completion, payment terms, and obligations and liabilities of each party. Furthermore, in general, the payment under such agreements is by installment, and the payment for each installment is subject to the achievement of certain milestones, which is typically evaluated by personnel designated by the relevant local government customer. The terms in each agreement may vary depending on our negotiation with the relevant local governments based on their specific request.

We also help medical professionals to become familiarized with the functions on such platforms to increase user stickiness and conduct suitable marketing activities to increase visibility to patients. We continue to customize solutions to meet evolving demands of local governments, medical institutions, doctors and nurses on such platforms to address the needs of patients.

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We believe the likelihood of each of the current agreements of city-specific cloud hospital platforms to be renewed is high, given our satisfactory performance under each agreement, and high switching costs for local government customers not to renew such agreements with us. It is also highly unlikely that multiple local government customers decide not to renew such agreements within the same year. During the Track Record Period, the agreements of four city-specific cloud hospital platforms reached their respective original expiration dates, all of which have been renewed with us. In addition, the agreements for Ningbo Cloud Hospital platform and Shenyang Cloud Hospital platform are without any expiry dates.

Should any of the agreements for the 29 city-specific cloud hospital platforms other than the Ningbo Cloud Hospital platform and the Shenyang Cloud Hospital platform not renewed with us, the maximum adverse impact on our total revenue would be less than 3.0%, based on the maximum revenue of cloud hospital platform services and Internet medical services generated from such other city-specific cloud hospital platforms. Accordingly, we expect there will be no material adverse effect on our operational and financial performance if any of the agreements for the 29 city-specific cloud hospital platforms other than the Ningbo Cloud Hospital platform and the Shenyang Cloud Hospital platform with us is terminated.

### *For Medical Institutions*

We provide platform construction services and platform connection services to medical institutions, enabling them to quickly offer Internet hospital-related services. In particular, by utilizing our cloud hospital platform services, hospitals may find it cost-effective in acquiring Internet hospital licenses in compliance with relevant laws and regulations. In general, hospitals seeking to acquire Internet hospital licenses are required to either establish their own Internet hospital infrastructure or connect to digital healthcare platforms such as our cloud hospital platforms. The former approach typically requires much more capital investment and takes longer to complete than the latter approach. In 2021, we helped more than 30 hospitals establish their Internet hospital in Ningbo. As of December 31, 2022, 99 Internet hospitals connected to our cloud hospital platforms in China had obtained the Internet hospital licenses based on such connection. Through the Internet hospitals, it is expected that these hospitals will conduct comprehensive Internet hospital-related services to supplement and optimize their daily operations.

For medical institutions, our platform construction services are fee-charging, whereas, for platform connection services, the majority of the primary medical institutions are connected to our platform for free. Meanwhile, medical institutions that pay a fee for our platform connection services are largely hospitals. After connecting to our cloud hospital platform, medical institutions that pay for such connection can in general access a wider spectrum of functional modules to enjoy a broader scope of Internet medical services than those that do not pay for such connection. For system and operational stability and satisfaction of users served by the large hospitals, it is unlikely such hospitals will choose to reduce or downgrade the scope of Internet medical service offerings only to avoid paying connection fees. During the Track Record Period, none of the large hospitals connected to our platform that paid for the connection subsequently opted for free connection.

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In contrast, primary medical institutions connected to our platform for free are allowed to access basic functional modules and mostly provide basic Internet medical services like smart family doctor services after connection. These primary medical institutions contributed a substantial majority of the service volume of smart family doctor services during the Track Record Period. In 2020, 2021 and 2022, the service volume of the smart family doctor services was 1.4 million, 2.3 million and 5.2 million, respectively. We believe that the primary medical institutions connected to our platform can drive user traffic for the Internet medical services, thus bringing synergistic effects. In particular, the utilization of smart family doctor services by patients can introduce them to the Internet medical services. For instance, a primary medical institution that is connected to our platform for free can access the family doctor services module, and a doctor at such primary medical institution can provide smart family doctor services to patients. After a patient signs up with the doctor as a family doctor, he or she may consult the family doctor about common and chronic illnesses, and for conditions and cases that require further examination, the family doctor may refer the patient to the online hospital services, through which the patient can utilize the online medical consultation and prescription processing services. Meanwhile, the family doctor may also suggest that patients seek guidance from specialists of large hospitals through the remote medical services over our platform. Accordingly, the free connection of medical institutions to our platform can drive the service volumes of the Internet medical services and hence the revenue of the Internet medical services segment.

Similar to the overall pricing strategies of cloud hospital platform services, our platform connection services generally adopt a general cost-plus pricing strategy. For the free platform connection services, the majority are primary medical institutions and only provide basic Internet medical services after connection, such as smart family doctor services, and we generally do not incur additional costs for such free platform connection services. For the paid platform connection services, a range from RMB100,000 to RMB250,000 is our most typical price range for annual fees charged to projects. However, each project's individual price also depends on the number and complexity of the functions that the medical institutions wish to use after they are connected. For medical institutions that offer only one or two types of Internet medical services, the connection service fee may be lower than the foregoing range. However, such types of connection projects did not contribute to a significant portion of the revenue of the cloud hospital platform services during the Track Record Period. For medical institutions that offer all types of Internet medical services or further with additional customized services after connection, the connection service fee may be higher than such range. We generally do not expect to change our arrangement with the relevant medical institutions as to free or paid connection services after they are connected.

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As of December 31, 2020, 2021 and 2022, there were 30,885, 34,751 and 35,500 medical institutions connected to our platform, respectively. The following table sets forth a breakdown of the total number of medical institutions that contributed revenue to our cloud hospital platform services segment as of the dates indicated:

|   | As of December 31, |            |            |
|---|--------------------|------------|------------|
|   | 2020               | 2021       | 2022       |
| Outside the city-specific cloud hospital<br>platforms . . . . . | 64                 | 42         | 52         |
| Within the city-specific cloud hospital<br>platforms . . . . .  | 178                | 96         | 93         |
| <b>Total</b> . . . . .  | <b>242</b>         | <b>138</b> | <b>145</b> |

The number of medical institutions that contributed revenue to our cloud hospital platform services segment and the number of those within the city-specific cloud hospital platforms decreased in 2021. The decrease in such numbers was mainly because: (i) in 2020, we focused on small-scale hospitals, mostly non-Class III or Class II, and their connection to modules that only cover part of the Internet medical service offering such as prescription processing services, which were relatively simple projects with relatively small contract values and could be accomplished quickly; and (ii) in 2021, we strategically focused more on large-scale hospitals to help them improve overall Internet hospital-related servicing capabilities via constructing independent Internet hospital infrastructure with access to all or most of the Internet medical service offerings, which were large projects with generally higher contract values, which led to stronger customer stickiness to continually utilize our platform.

Despite such fluctuations, we have recorded improving revenue from both the cloud hospital platform services segment contributed by medical institutions and the Internet medical services segment. In 2020, 2021 and 2022, revenue from the cloud hospital platform services contributed by medical institutions was RMB11.7 million, RMB29.4 million and RMB48.4 million, respectively. During the same years, revenue from the Internet medical services was RMB55.1 million, RMB93.4 million and RMB137.8 million, respectively. Meanwhile, other than the level of the average service fees, the growth of the Internet medical services segment essentially depends on the growth in service volume, which further depends on the activeness of connected medical institutions to provide, and that of patients to utilize, the Internet medical services over our platform. Accordingly, we do not expect these fluctuations to materially affect the results of the cloud hospital platform services and Internet medical services segments going forward.



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The fluctuations in the number of medical institutions that contributed revenue to our cloud hospital platform services segment and the number of those within the city-specific cloud hospital platforms during the Track Record Period were mainly due to changes in our focus on target customers when carrying out our business strategies. As we continue to expand our business and our business model becomes more mature, we do not expect to experience material fluctuations in the number of medical institutions that contributed revenue to our cloud hospital platform services segment and the number of those within the city-specific cloud hospital platforms.

### *Platform Connection Services*

For medical institutions located in cities where city-specific cloud hospital platforms are established, they are able to connect with other medical institutions to streamline the flow of information. By connecting to our city-specific cloud hospital platforms, medical institutions benefit from the sharing of healthcare data upon patients' authorization, which increases the efficiency of medical services.

At present, for a majority of our city-specific cloud hospital platforms, it is not mandatory for medical institutions within the relevant regions to connect to such platforms. Only a small number of cities require mandatory connection by medical institutions to our city-specific cloud hospital platforms in accordance with local policies. Nonetheless, medical institutions typically are encouraged and incentivized to connect with us, as they can use our platform to enhance their ability to provide Internet medical services. Meanwhile, we have formed operational centers in the relevant cities to conduct business development activities to attract all classes of medical institutions.

### *Platform Construction Services*

Certain medical institutions, particularly large-scale hospitals, have the need to establish independent cloud hospital systems. By establishing their own cloud hospital systems, medical institutions are able to enjoy more tailored cloud hospital platforms to provide services as they can decide which modules to implement based on their particular needs. Leveraging our established city-specific cloud hospital platforms, we are well-positioned to compete with other similar cloud hospital platform service providers as we can build up independent cloud hospital systems based on the same technology infrastructure of the existing city-specific cloud hospital platform such medical institutions have already connected to, and thereby enabling us to offer more a competitive price and, at the same time, enabling medical institutions to streamline their access to their medical data and resources on both the city-specific cloud hospital platform and their own independent cloud hospital systems.

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### *Key Contractual Terms*

We typically go through a tender and bidding process in obtaining contracts with medical institutions to provide platform construction and platform connection services. Our tender success rate is relatively high due to our cost-effective way of platform construction, technological advantages and well-established reputation, which was 81%, 86% and 97%, respectively, in 2020, 2021 and 2022. For more details on the tender and bidding process, see “– Our Customers – Project Tender and Bidding.”

In general, our contracts with medical institutions range from one to three years, and we charge fees depending on factors such as technical complexity and scale of medical institutions, and the scope of modules for development. Our renewal rate of the contracts with the medical institutions (the number of contracts renewed during a year as a percentage of the number of contracts expired during that year) was 90%, 88% and 89% in 2020, 2021 and 2022, respectively.

Under the relevant service contracts that we entered into with medical institutions, we are obliged to implement data protection measures to ensure the security of patients’ confidential information, while the medical institutions shall ensure compliance with relevant laws and regulations concerning the provision of services by their medical professionals over our platforms. See “– Data Privacy and Protection.”

### *For Insurers*

We provide platform connection services to commercial medical insurers to assist them with cost control. For example, by connecting to our platforms, insurers can utilize the health management services module to help policyholders maintain good health complementary to the insurance products. For insurers, such health management services can potentially improve the health status of the policyholders, and therefore lower the incidence rate and increase the competitiveness of their insurance products. During the Track Record Period, we did not charge any fees for our cloud hospital platform services provided to insurers; rather, we monetized through the health management services. This is because we consider the insurers’ connection to our cloud hospital platforms is only a gateway for us to reach their vast number of policyholders and beneficial for the expansion of other services. The services that can bring value to the insurers, such as the health management services, are what we strategically focus on for continual revenue generation. For details on the health management services that we provide in cooperation with a commercial medical insurer, see “– Health Management Services – Chronic Disease Management Services – Managed Healthcare Project with Rongsheng Insurance.”

At present, we are proactively seeking cooperation opportunities with other commercial insurers. We intend to provide rich healthcare service offerings to customers of commercial medical insurers, including online consultations, drug delivery and health management services.

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### *Revenue Breakdown by City*

In 2020, 2021 and 2022, we generated 84.4%, 54.8% and 71.0 % from our cloud hospital platform services offered via city-specific cloud hospital platforms, respectively. The following table sets forth a breakdown of revenue of the cloud hospital platform services from our city-specific cloud hospital platforms for the years indicated, along with their respective year of completion, as applicable:

|                           | Year of completion          | Year ended December 31, |        |        |
|---------------------------|-----------------------------|-------------------------|--------|--------|
|                           |                             | 2020                    | 2021   | 2022   |
| <i>(RMB in thousands)</i> |                             |                         |        |        |
| Ningbo                    | 2016                        | 5,512                   | 7,088  | 4,765  |
| Shenyang                  | 2017                        | 38,610                  | 16,902 | 13,844 |
| City A                    | 2020                        | 3,383                   | 6,795  | 6,264  |
| City B                    | 2019                        | 1,408                   | 13,559 | 15,551 |
| City C                    | 2020                        | 5,657                   | 5,943  | 9,804  |
| City D                    | 2021                        | 488                     | 521    | 7,022  |
| City E                    | Completion expected in 2023 | –                       | 1,083  | 3,899  |
| City F                    | Completion expected in 2023 | –                       | 717    | 5,478  |
| City G                    | 2016                        | 603                     | 211    | 16     |
| City H                    | 2017                        | 5,206                   | 5,389  | 5,323  |
| City I                    | 2018                        | 1,832                   | 1,415  | 943    |
| City J                    | 2019                        | 1,369                   | 475    | 46     |
| City K                    | 2020                        | 343                     | 487    | 252    |
| City L                    | 2020                        | –                       | 202    | 217    |
| City M                    | 2020                        | 946                     | –      | –      |
| City N                    | 2020                        | –                       | 31     | 63     |
| City O                    | 2020                        | 310                     | 90     | 560    |
| City P                    | 2020                        | 24                      | –      | 382    |
| City Q                    | 2021                        | –                       | 2,196  | 2,524  |
| City R                    | 2021                        | –                       | –      | –      |
| City S                    | Has not commenced           | –                       | –      | –      |
| City T                    | Has not commenced           | –                       | –      | –      |
| City U                    | Has not commenced           | –                       | –      | –      |

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|   | Year of completion          | Year ended December 31,   |                |                |
|---|-----------------------------|---------------------------|----------------|----------------|
|   |                             | 2020                      | 2021           | 2022           |
|   |                             | <i>(RMB in thousands)</i> |                |                |
| City V . . . . .  | Has not commenced           | –                         | –              | –              |
| City W . . . . .  | Has not commenced           | –                         | –              | –              |
| City X . . . . .  | Has not commenced           | 642                       | 726            | 113            |
| City Y . . . . .  | Completion expected in 2024 | –                         | 1,918          | 3,535          |
| City Z . . . . .  | Completion expected in 2023 | –                         | 4,423          | 3,798          |
| City AA . . . . .   | Completion expected in 2023 | –                         | –              | 2,488          |
| <b>Total revenue from city-specific cloud hospital platforms . .</b>                            |                             | <b>66,333</b>             | <b>70,171</b>  | <b>86,887</b>  |
| Revenue from sources other than city-specific cloud hospital platforms <sup>(1)</sup> . . . . . |                             | 12,278                    | 57,796         | 35,482         |
| <b>Total revenue of the cloud hospital platform services . . .</b>                              |                             | <b>78,611</b>             | <b>127,967</b> | <b>122,369</b> |

(1) The fluctuations in the revenue of cloud hospital platform services from sources other than city-specific cloud hospital platforms during the Track Record Period are mainly due to the relevant business being largely conducted on a single project basis and does not necessarily lead to long-term cooperation, and the revenue is more dependent on our identifying and grasping appropriate business opportunities.

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## BUSINESS

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Revenue attributable to cities other than Ningbo and Shenyang showed a growing trend in 2020, 2021 and 2022, while the percentage of the total revenue generated from our city-specific cloud hospital platforms decreased in 2021 compared to 2020, and increased in 2022 compared to 2021, mainly because: (i) revenue generated from other cities usually fluctuates significantly depending on the specific service offerings we offered as entry points under tailored development strategies; and (ii) we are still in the process of enhancing the performance of the city-specific cloud hospital platforms in cities other than Ningbo and Shenyang.

Revenue of the cloud hospital platform services segment from sources other than city-specific cloud hospital platforms is derived from services in essence of a similar business nature to those provided in respect of the city-specific cloud hospital platforms. Such revenue increased from RMB12.3 million in 2020 to RMB57.8 million in 2021, and decreased to RMB35.5 million in 2022. Our cloud hospital platform services offered outside of the 29 cities help to expand our customer base and build our brand awareness in new cities. If those are developed successfully to the satisfaction of these customers, the local governments of such cities can potentially enter into further agreements with us to establish city-specific cloud hospital platforms. We generally become acquainted with such customers through existing client referral, offline marketing activities in new cities, and other various business development initiatives.

During the Track Record Period, the city-specific cloud hospital platforms for a number of cities generated only minimal or no revenue, for reasons set out below:

- (i) *Low willingness of local governments to develop the platforms.* Some platforms were completed prior to the Track Record Period, and the relevant local governments did not have much further upgrade or expansion need for the platform due to their respective own considerations and low willingness to put much effort into developing the platforms. This is the case for Cities G, K, L, M, N, O and P.
- (ii) *Historical reasons including backward information infrastructure and regulatory framework.* We signed framework or master agreements with a number of local governments around 2018, but have not commenced the construction of the city-specific cloud hospital platforms. These projects emerged with the accelerated development in the Internet healthcare industry pursuant to favorable policies promulgated around then, details of which are as follows:
  - Since the publication of a series of regulations or trial guidelines on online consultations, remote consultations and Internet hospitals, and favorable government policies that promote the integration of Internet and healthcare in 2018, Internet hospital-related services became more prevalent. According to Frost & Sullivan, the number of Internet hospitals in China increased from approximately 20 to over 150 within the year of 2019.

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- Meanwhile, Internet hospital-related services became more accepted by more local governments, given the clearer regulatory guidelines and favorable government policies. Accordingly, there emerged a large number of local governments willing to explore, or interested in exploring, the potential development of city-specific cloud hospital platforms in their respective cities, and we actively conducted business development to tap into these opportunities to obtain first-mover advantages.
- However, according to Frost & Sullivan, due to pre-existing backward information infrastructure and regulatory framework in lower-tiered cities, the construction of some of the city-specific cloud hospital platforms was halted or exhibited slow progress.

For these incomplete projects, we have limited the resources devoted to such projects in line with our business strategies. This is the case for Cities X, S, T, U, V and W.

- (iii) *Exceptional case for City R.* We entered into a framework agreement with the local government for establishing a city-specific cloud hospital platform in 2019. In 2021, the health commission of such local government engaged us after a tender and bidding process to provide 1,252 All-in-One Healthcare Devices and signed a sales agreement of a total amount of RMB8.5 million with us accordingly.

Pursuant to the sales agreement, the delivery of the All-in-One Healthcare Devices was subject to inspection and a trial period. Our pricing of such smart healthcare products is comparable to those sold to other independent customers. The unit price of the All-in-One Healthcare Devices under this contract is RMB6,800, which was within the normal price range that we offer to customers (namely, from RMB5,000 to RMB20,000).

In accordance with the framework agreement, in light of our well-established cooperative relationship with the local government, and to facilitate the synergistic growth of the Internet medical services, we constructed a city-specific cloud hospital platform for City R based on certain standard functional modules of cloud hospital platforms, which enabled some local medical institutions to access the remote medical services module. Accordingly, we did not incur additional costs for such construction. As the terms of the sales agreement do not involve any purchase of cloud hospital platform services from us, we did not allocate any of the revenue received under this agreement to our cloud hospital platform services segment. If all or part of such revenue and the corresponding costs were reallocated to our cloud hospital platform services segment, we would not expect the gross profit margin of this segment to be materially affected.

In light of the foregoing, we have become more selective in obtaining city-specific cloud hospital platform projects. Since 2020, all of our new city-specific cloud hospital platform engagements have begun or completed construction.

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### Internet Medical Services

Supported by our cloud hospital platforms, third parties and our own medical institutions can provide patients with online and offline integrated medical services throughout the whole diagnosis and treatment cycle. The Internet medical services comprise: (i) online hospital services; (ii) remote medical services; (iii) smart family doctor services; and (iv) Internet home care services. These services are provided by the medical institutions to which we provide cloud hospital platform services. Our competitive edges for Internet medical services mainly include: (i) rich medical resources; (ii) support from local governments and medical institutions, given the valuable benefits brought to ease the scarcity and uneven distribution of quality medical resources and in accordance with favorable national policies; (iii) additional quality services safeguarded by the three provincial-level Internet healthcare service supervision platforms operated by us in Jiangsu, Liaoning and Yunnan provinces; and (iv) user traffic synergy brought by our health management services. Users of the health management services can conveniently access Internet medical services after health check-up services.

The following table sets forth a revenue breakdown by business line of the Internet medical services segment for the years indicated:

|   | Year ended December 31,                           |              |               |              |                |              |
|---|---|--------------|---------------|--------------|----------------|--------------|
|   | 2020  |              | 2021          |              | 2022           |              |
|   | Amount  | %            | Amount        | %            | Amount         | %            |
|   | <i>(RMB in thousands, except for percentages)</i> |              |               |              |                |              |
| Online hospital services . . . . .                    | 49,240  | 89.4         | 80,144        | 85.8         | 117,972        | 85.6         |
| Remote medical services . . . . .                     | 4,325   | 7.9          | 10,248        | 11.0         | 13,871         | 10.1         |
| Smart family doctor services <sup>(1)</sup> . . . . . | –   | –            | –             | –            | –              | –            |
| Internet home care services . . . . .                 | 1,492   | 2.7          | 3,015         | 3.2          | 5,991          | 4.3          |
| <b>Total . . . . .</b>                                | <b>55,057</b>                                     | <b>100.0</b> | <b>93,407</b> | <b>100.0</b> | <b>137,834</b> | <b>100.0</b> |

(1) We do not charge fees for smart family doctor services.

As of December 31, 2020, 2021 and 2022, there were 30,885, 34,751 and 35,500 medical institutions connected to our platform, respectively. In 2020, 2021 and 2022, the average revenue from Internet medical services per medical institution (calculated as the total revenue generated from Internet medical services in the relevant years divided by the total number of medical institutions connected to our platform at the relevant year-end) was approximately RMB1,800, RMB2,700 and RMB3,900, respectively. During the same years, the average volume of Internet medical services per medical institution was 116, 147 and 249, respectively. In addition, the average revenue from Internet medical services per medical professional (calculated as the total revenue generated from Internet medical services in the relevant years divided by the total number of doctors and nurses registered with our cloud hospital platforms at the relevant year-end) was approximately RMB770, RMB787 and RMB913 in 2020, 2021 and 2022, respectively.

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## BUSINESS

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The Internet medical services can bridge the gap between patients and hospitals through the online hospital services, connect hospitals with primary medical institutions through the remote medical services, link patients with primary care practitioners through the smart family doctor services, and extend nursing care services from hospitals to households via Internet home care services. Together, these service offerings facilitate the continuity of healthcare and meet patients' needs for primary, secondary and convalescent care.

We have been continually making efforts to stimulate the activeness of medical institutions, particularly hospitals, over our cloud hospital platforms. Furthermore, we collaborate with local social medical insurance administrations and currently have achieved online payment for Internet medical services by social medical insurance in Ningbo and Shenyang.

We have also implemented quality control measures over consistency in the quality of healthcare delivery on our platforms, regardless of whether such services are provided by medical professionals at or registered with our own or third-party medical institutions. See “– Risk Management, Internal Control and Compliance Culture – Healthcare Quality and Safety.”

Our competitive edges for Internet medical services mainly include: (i) rich medical resources which provide wide geographical coverage and adequate supply of medical professionals; (ii) support from local governments and medical institutions, given the valuable benefits brought to ease the scarcity and uneven distribution of quality medical resources and in accordance with favorable national policies; (iii) quality services safeguarded by our quality control measures, as well as the three provincial-level Internet healthcare service supervision platforms operated by us in Jiangsu, Liaoning and Yunnan provinces; and (iv) user traffic synergy brought by our health management services. Users of our health management services can conveniently access Internet medical services after health check-up services.

### *Our Service Offerings*

#### *Online Hospital Services*

The online hospital services mainly focus on patients' consultations and management in respect of chronic diseases, and are designed to increase patients' stickiness through high value-added services that are not available under the traditional offline hospital setting, especially through leveraging our participation in the specialty medical consortiums. These services primarily comprise the following:

- Smart hospital services. The smart hospital services encompass appointment-making for in-patient and check-up services as well as check-up report inquiries, among other things, to facilitate hospital visits within our hospital network.



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- Online medical consultation and prescription processing services.
  - (i) Online medical consultation services. The online medical consultations are offered to individuals, covering a wide range of conditions and cases with a primary focus on common and chronic illnesses. In accordance with relevant PRC rules and regulations, Internet diagnosis and treatment activities shall not be carried out for any patient receiving initial diagnosis. Accordingly, doctors, through our platforms, may only provide diagnosis to patients who had first consultations at medical institutions. The doctors can either review the patients’ past EMR if available upon consent or the medical records and prescriptions uploaded by patients as required for their receiving consultation services to make sure that they are not providing initial diagnosis. Patients may start the consultation by describing their symptoms via text, picture or audio. Online consultation services include three types of consultation: (i) free consultations, which are wellness consultations that focus on wellness and well-being issues such as fitness and personal care; (ii) consultation via instant messages, where customers can send pictures and texts to doctors directly for medical consultation (“Instant MessageConsultation”); and (iii) consultation via multi-media, where customers can directly talk to doctors through telephone or video (“Multi-media Consultation”). Doctors may prescribe based on historical prescription records for the patients. Upon approval of pharmacists with respect to unredeemed prescriptions, patients may choose to pick up their drugs at offline pharmacies, or request home delivery services.

In 2020, 2021 and 2022, approximately 512,900, 1,111,400 and 1,674,000 total online consultations took place over our platforms, respectively. The increases in the volume of online consultations over our platforms during the Track Record Period are mainly due to our continuous efforts to package and provide online consultation services through our city-specific cloud hospital platforms based on the different situations and needs in different cities. The following table sets forth the service volume of each type of online consultation services we offered during the years indicated:

|   | <b>Year ended December 31,</b> |                     |                     |
|---|--------------------------------|---------------------|---------------------|
|   | <b>2020</b>                    | <b>2021</b>         | <b>2022</b>         |
|   | <i>(in thousands)</i>          |                     |                     |
| Free consultation services . . . . .          | 251                            | 263                 | 1                   |
| Instant message consultation . . . . .        | 254                            | 836                 | 1,649               |
| Multi-media consultation . . . . .            | 7                              | 12                  | 24                  |
| <b>Online consultation services . . . . .</b> | <b><u>512</u></b>              | <b><u>1,111</u></b> | <b><u>1,674</u></b> |

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(ii) Prescription processing services. In 2020, 2021 and 2022, approximately 925,800, 787,000 and 839,000 prescriptions were processed over our platforms, respectively. We commenced the prescription processing services in connection with the online consultation services in 2020. In 2020, 2021 and 2022, there were approximately 150,100, 342,700 and 530,000 prescriptions arising directly from online consultations processed over our platforms, respectively. Other than arising from online consultations, the other prescriptions arose either from pharmacies connected to our platforms or offline channels of Internet hospitals.

(iii) Pricing. We price online consultation services primarily based on the types of consultation we provide, while also considering the qualifications of the doctors who provide the relevant services. In general, we price the services provided by chief and deputy chief doctors higher than the same provided by regular doctors, and price the services provided by doctors from first-class hospitals higher than the same provided by those from primary medical institutions. During the Track Record Period, depending on the qualifications of the relevant doctors, the common price range for Instant Message Consultation and Multi-media Consultation ranged from nil to RMB20 and RMB20 to RMB500, respectively. According to Frost & Sullivan, the prices we charged for different types of consultation during the Track Record Period are comparable to the prevailing market price.

The following table sets forth the common price range charged for (i) online consultation services and (ii) prescription processing services arising directly from the provision of online consultation services during the years indicated:

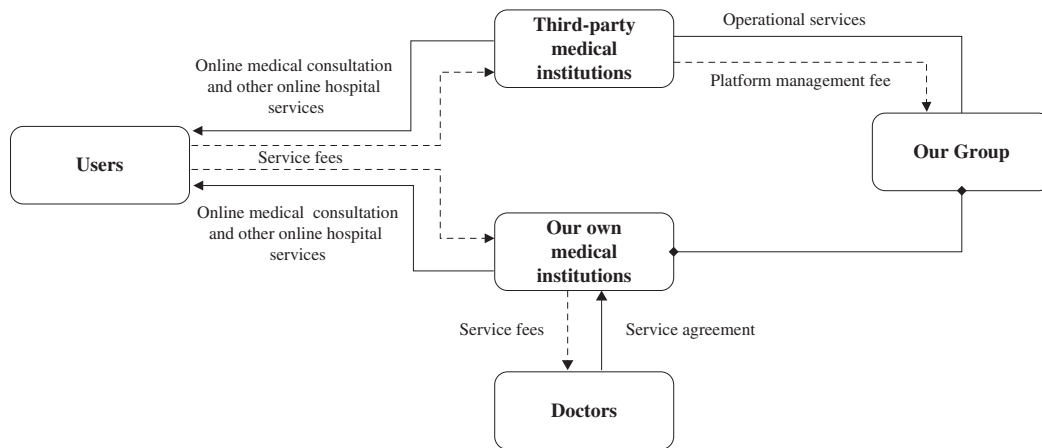
|   | <b>Year ended December 31,</b>   |  |  |
|---|--|--|--|
|   | <b>2020</b>  | <b>2021</b>  | <b>2022</b>  |
|   | <i>(RMB)</i>   |  |  |
| Online consultation services . . . . .  | 5 to 500, depending on the type of consultation provided and the qualifications of doctors | 5 to 500, depending on the type of consultation provided and the qualifications of doctors | 5 to 500, depending on the type of consultation provided and the qualifications of doctors |
| Prescription processing services arising directly from the online consultation services . . . . . | 20 to 100  | 50 to 300  | 50 to 1,000  |

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- Value-added follow-up management services. The value-added follow-up management services are provided to better manage patients’ post-discharge health. These include recovery planning, reminders for follow-up consultations, disease information, health condition monitoring and recovery intervention. For example, we have designed and offered service packages that integrate the offline medical services and functionalities of our cloud hospital platforms to enable medical institutions to provide premium services that they are not able to provide previously. An example of such service packages is the weight loss service package, which spans online appointment making of health check-up, consultation with a medical professional, to exercise schedule planning and diet tracking after the consultation. Another example is the post-surgery home care service package, which allows patients to enjoy professional care at home while freeing the hospital beds for those with more urgent needs. We believe the provision of value-added follow-up management services can substantially increase the engagement of doctors and stickiness of patients to our platforms, enabling us to further monetize our city-specific cloud hospital platforms.

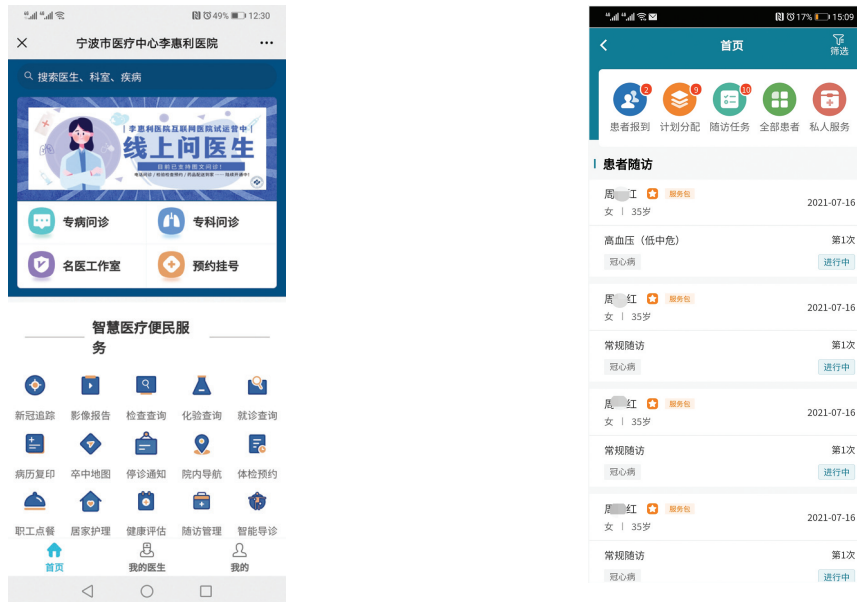
As we continue to optimize value-added services, we expect the stickiness of medical institutions in our cloud hospital network to further increase.

The following flowchart sets forth the transaction flow of our online hospital services:



## BUSINESS

The following screenshots show some examples of the interface of our online hospital services from the viewpoints of patients (left) and doctors (right):



### *Remote Medical Services*

The remote medical services available under institutional setting through our platforms help primary medical institutions expand their service capabilities so as to achieve the same coverage and quality of care as large hospitals.

Our remote medical services primarily include remote diagnosis, remote consultation, bidirectional referral, and remote medical training services. In particular, we found a major dilemma for the primary medical institutions is that they are often equipped with advanced medical equipment but lack medical professionals with professional imaging diagnosis capabilities. Accordingly, we have established an imaging center comprising specialists from departments of imaging, ultrasound and nuclear medicine. After a patient completes a check-up at the primary medical institutions, imaging data are automatically uploaded to our cloud hospital platforms, through which specialists at our imaging center can provide imaging diagnosis recommendations. Such recommendations, upon review and quality control procedures, will be provided to the primary medical institutions to facilitate the healthcare decision-making processes by their doctors. Third-party medical institutions may also offer remote imaging diagnosis services to primary medical institutions through our cloud hospital platforms. In addition, doctors at the primary medical institutions are able to apply for remote consultations with specialists for recommendations and receive training to enhance their service capabilities.

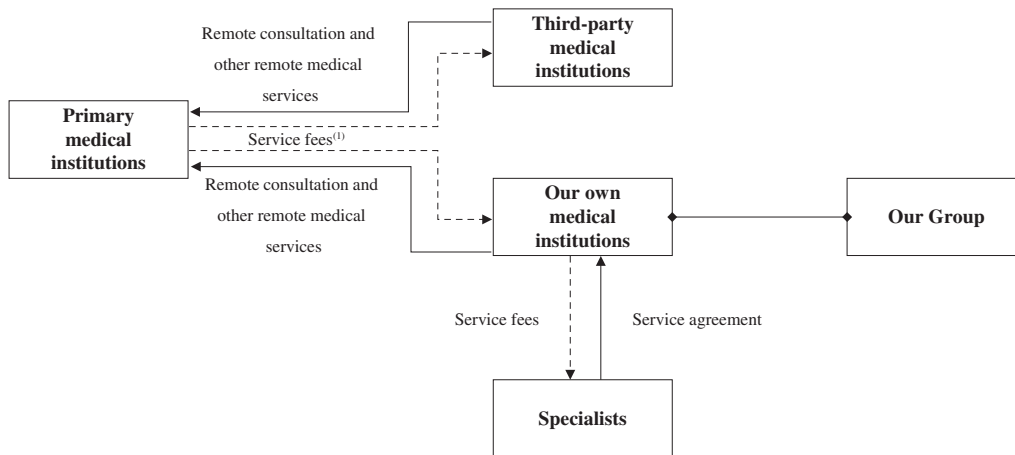
In 2020, 2021 and 2022, the volume of our remote medical services was approximately 701,000, 860,600 and 1,067,000, respectively.

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Leveraging our extensive relationships with healthcare providers in the PRC healthcare industry, we have established connections with leading experts of various medical specialties across the nation to provide remote clinical support to primary medical institutions. Such collaborations also create a stable source of demand for our remote medical services, and correspond with the national policy that encourages the establishment of specialty medical consortiums in China. Currently, our cloud hospital platforms have integrated medical resources of over 50 specialties including internal medicine, surgery, gynecology, pediatrics and Chinese medicine. We have focused on forming specialty medical consortiums, particularly those with respect to cardiology, oncology and reproductive health, as we pay special attention to serving customer groups such as the elderly, patients with chronic diseases, women and children, and tumor patients. For example, we have liaised with a Class III Grade A hospital in Shanghai and a renowned national medical group of cardiologists to form a cardiology consortium over our platforms. We expect to explore new types of service offerings through participation in specialty medical consortiums and integrate such offerings into our cloud hospital platforms, to further drive our revenue growth.

We typically enter into cooperation agreements with individual specialists or institutions, with a term ranging from one to five years, under which the specialists or institutions charge fixed fees for diagnoses based on the volumes of services rendered. Such fees are typically paid by primary medical institutions to us as our revenue, and we then pay such specialists certain fees for their services rendered. When selecting individual specialists or institutions for cooperation, we consider geographical location, reputation, brand awareness and existing business relationships.

The following flowchart sets forth the transaction flow of our remote medical services:



- (1) For remote medical services provided by third-party medical institutions, the service fee is paid directly by the primary medical institution to the third-party medical institutions, and we do not charge any platform management fee during the process. However, to enable the provision of such third-party remote medical services, we provide platform construction or connection services and generate revenue under the cloud hospital platform services segment.

## BUSINESS

### Smart Family Doctor Services

Through our smart family doctor services, patients and other healthcare consumers are able to enroll with family doctors, who are typically general practitioners of primary medical institutions. The family doctors serve as the first point of contact for patients and other healthcare consumers to manage basic and daily healthcare needs such as measuring and monitoring vital signs and other health indicators including pulse and blood pressure, providing guidance on preventing and managing chronic diseases, and advising on improving mental and physical well-being. Through our platform, family doctors can utilize smart tools such as the smart family doctor workstation and access health data from smart healthcare products, medical institutions' information systems and local governments' public health management systems, to help them provide personalized healthcare solutions that can accurately match patients' needs. They may also seek guidance from specialists of large hospitals through our remote medical services.

We do not charge fees for smart family doctor services. Notwithstanding, we believe such services can help introduce patients to our cloud hospital platforms and other solutions, such as smart healthcare products, and accordingly increase their stickiness to our cloud hospital platforms.

In 2020, 2021 and 2022, the volume of our smart family doctor services was approximately 1,417,600, 2,306,600 and 5,218,000, respectively.

The following screenshots show some examples of the interface of our smart family doctor services from the viewpoint patients:



## BUSINESS

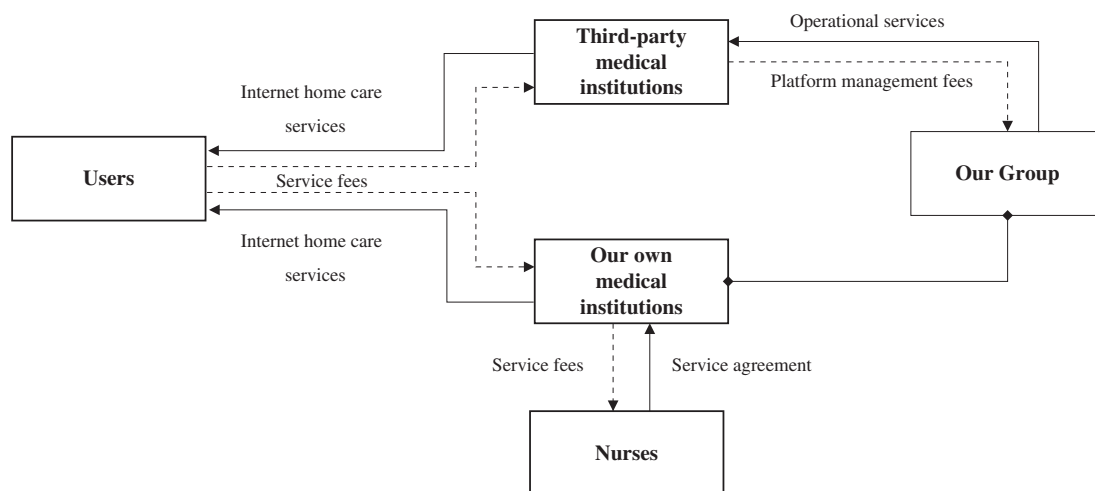
### *Internet Home Care Services*

Our Internet home care services enable nurses to utilize their fragmented spare time to provide professional care services at the patients' location, thereby extending the nursing care from hospitals to households. Our Internet home care service offerings are specialized and diverse, which mainly cover the following five categories: (i) clinical care (such as Foley catheter care and subcutaneous injection); (ii) specialized care (such as peripherally inserted central catheter care and T-tube care); (iii) maternal and infant care (such as treatment of clogged milk ducts and newborn care); (iv) traditional Chinese medicine care (such as scraping treatment and retention enema); and (v) rehabilitation care (such as auricular plaster therapy and acupressure massage).

In 2020, 2021 and 2022, the volume of the Internet home care services was approximately 16,400, 29,900, and 54,000 over our platforms, respectively. In relation to the Internet home care services, we also offer online consultations, providing guidance to the elderly, patients with chronic diseases or other complications, as well as pregnant women. The customer retention rate of our Internet home care services is relatively high as patients with demands for Internet home care services often have long-term medical needs. For example, 48% of customers of our Internet home care services on our Ningbo Cloud Hospital platform repurchased such services in 2021.

We believe quality and safety are the most important requirements for delivering healthcare services; and these are also the core concerns of third-party medical institutions when conducting out-of-hospital services. We are equipped with strong abilities in overseeing the quality of care delivery, leveraging years of experience gained from operating and managing medical institutions as well as our capabilities in building regulatory supervision platforms for Internet healthcare services. For Internet home care services, we impose strict requirements on the qualifications of nurses based on the different types of nursing care programs and provide training accordingly.

The following flowchart sets forth the transaction flow of our Internet home care services:



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The following screenshots show some examples of the interface of our Internet home care services from the viewpoints of patients (left) and nurses (right):



### *Business Models of Internet Medical Services*

According to the Notice for Issuing the Measures for the Administration of Internet Diagnosis and Treatment (for Trial Implementation) and Other Two Documents (《關於印發互聯網診療管理辦法(試行)等3個文件的通知》) by the National Health Commission and the State Administration of Traditional Chinese Medicine, online hospital services can only be provided by medical institutions possessing valid practice licenses for medical institutions (醫療機構執業許可證) with legends of Internet hospital. As of December 31, 2022, we had three medical institutions possessing licenses with such legends, enabling us to provide online hospital services through our cloud hospital platforms.

In general, Internet medical services are either provided by medical professionals at or registered with (i) medical institutions owned by us (the “proprietary model”) or (ii) third-party medical institutions (the “platform model”.) Medical professionals, whether practicing in or registered with our own or third-party medical institutions, are indentically empowered to serve patients. As of December 31, 2022, we had a chain of ten self-owned medical institutions. See “– Medical Resources – Our Own Medical Institutions” for details on our self-owned medical institutions.



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The following table sets forth the revenue breakdown from services provided by medical professionals at or registered with our own medical institutions and third-party institutions for the years indicated:

|   | Year ended December 31,  |             |              |
|---|--------------------------|-------------|--------------|
|   | 2020                     | 2021        | 2022         |
|   | <i>(RMB in millions)</i> |             |              |
| Services provided under the proprietary model . . . . . | 54.2                     | 92.3        | 135.0        |
| Services provided under the platform model . . . . .    | 0.9                      | 1.1         | 2.8          |
| <b>Total</b> . . . . .                                  | <b>55.1</b>              | <b>93.4</b> | <b>137.8</b> |

– *Services Provided under the Proprietary Model*

The Internet medical services provided under the proprietary model comprise all types of Internet medical services other than smart family doctor services. We typically receive service fee income from patients and institutions on a gross basis for services rendered under the proprietary model.

Most doctors or nurses involved under this business model are practicing doctors or nurses from third-party medical institutions, with whom we typically enter into platform registration agreements. Pursuant to the platform registration agreements, doctors and nurses shall submit their respective certifications and relevant filings for our review, and are responsible for keeping users' information confidential, while we are able to utilize their information (such as their professional and education background, as well as users' reviews of them) based on actual business needs to the extent reasonable. Except that medical specialists are usually from large hospitals for the provision of remote medical services, other doctors and nurses are typically from primary medical institutions that have not obtained licenses to conduct Internet healthcare services in accordance with PRC laws and regulations.

As of the Latest Practicable Date, our three own medical institutions in Ningbo, Shenyang and Dandong possessed valid practice licenses for medical institutions (醫療機構執業許可證) with legends of Internet hospital. As confirmed by our PRC Legal Advisor, by registering with our own medical institutions that hold the practice licenses for medical institutions with legends of Internet hospital, doctors and nurses who are from primary medical institutions and hospitals possessing licenses without such legends are able to provide online hospital services through our cloud hospital platforms. We are in charge of the controls over the quality of medical services provided. We also enter into service agreements with the doctors or nurses to whom we pay service fees, and separately settle the service fees to be paid to these medical professionals registered with our own medical institutions based on the actual services rendered by them under a standard fee schedule maintained by us on a monthly basis. In addition, a small number of doctors or nurses are our own doctors or nurses, with whom we typically enter into employment contracts.

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## BUSINESS

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– *Services Provided under the Platform Model*

The Internet medical services provided under the platform model comprise all types of Internet medical services. We generate a platform management fee from third-party medical institutions as a percentage of service fees received by them from patients on a net basis for consultation and other services they provide, typically ranging from 5% to 20%. The contract term of our agreements with third-party medical institutions is generally one to three years. Under such agreements, we charge service fees for platform establishment and maintenance services under our cloud hospital platform services segment, and platform management fees under our Internet medical services.

The doctors or nurses involved in the provision of online hospital services, smart family doctor services and Internet home care services under this business model are practicing doctors or nurses from third-party medical institutions licensed to conduct Internet healthcare services, largely hospitals. The relevant third-party medical institutions are in charge of the controls over the quality of medical services provided.

We do not consider the relationship between the two business models is competitive; rather, they are complementary to each other. In particular:

- The two business models cater to the needs of professionals of different types of medical institutions. In relation to services provided through our own medical institutions, the medical professionals are mostly doctors and nurses from primary medical institutions registered with our own medical institutions, as their primary medical institutions are not licensed to perform Internet healthcare services in accordance with PRC laws and regulations. In relation to services provided through third-party medical institutions licensed to conduct Internet healthcare services, the medical professionals are mostly doctors and nurses from hospitals. Our provision of cloud hospital platforms enables them to both improve efficiency in providing medical services and diversify revenue streams.
- The two business models are adopted in respect of different pricing mechanisms that apply to services. In relation to services provided through our own medical institutions, the relevant services rendered are typically those that can be priced at our discretion. In relation to services provided through third-party medical institutions, the relevant services rendered are typically those that are largely subject to guidance prices set by the PRC government.
- The two business models serve different types of end customers. In relation to services provided through our own medical institutions, the target customer groups are typically elderly and patients with chronic diseases, who are mostly residents of local communities served by the relevant primary medical institutions with the doctors and nurses registered with our own medical institutions. In relation to services provided through third-party medical institutions, their customer groups are relatively more diverse.

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### *Revenue Breakdown by City*

In 2020, 2021 and 2022, we generated 95.0%, 93.0% and 95.6% from our Internet medical services offered via city-specific cloud hospital platforms, respectively. The following table sets forth a breakdown of revenue of Internet medical services from our city-specific cloud hospital platforms for the years indicated:

|  | Year ended December 31,   |               |                |
|--|---------------------------|---------------|----------------|
|  | 2020                      | 2021          | 2022           |
|  | <i>(RMB in thousands)</i> |               |                |
| Ningbo. . . . .  | 45,080                    | 70,922        | 97,277         |
| Shenyang. . . . .  | 6,545                     | 14,061        | 27,391         |
| City A . . . . .   | 83                        | 129           | 418            |
| City B . . . . .   | 2                         | 77            | 2,593          |
| City C . . . . .   | 179                       | 278           | 923            |
| City D . . . . .   | –                         | 2             | 51             |
| City E . . . . .   | –                         | 1             | 23             |
| City F . . . . .   | –                         | 257           | 387            |
| City G . . . . .   | 42                        | 90            | 167            |
| City H . . . . .   | 218                       | 359           | 636            |
| City I . . . . .   | 72                        | 394           | 307            |
| City J . . . . .   | –                         | 30            | 7              |
| City K . . . . .   | 2                         | 109           | 161            |
| City L . . . . .   | 6                         | 24            | 35             |
| City M . . . . .   | 13                        | 29            | 36             |
| City N . . . . .   | –                         | –             | –              |
| City O . . . . .   | –                         | –             | –              |
| City P . . . . .   | –                         | 11            | 55             |
| City Q . . . . .   | 54                        | 74            | 1,322          |
| City R . . . . .   | 6                         | 6             | 3              |
| City S . . . . .   | –                         | –             | –              |
| City T . . . . .   | –                         | 20            | 20             |
| City U . . . . .   | –                         | –             | –              |
| City V . . . . .   | –                         | –             | –              |
| City W . . . . .   | –                         | –             | –              |
| City X . . . . .   | –                         | –             | 2              |
| City Y . . . . .   | –                         | –             | –              |
| City Z . . . . .   | –                         | –             | –              |
| City AA . . . . .  | –                         | –             | –              |
| <b>Total revenue from city-specific cloud hospital platforms . . . . .</b> | <b>52,302</b>             | <b>86,873</b> | <b>131,814</b> |

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|   | Year ended December 31,   |               |                |
|---|---------------------------|---------------|----------------|
|   | 2020                      | 2021          | 2022           |
|   | <i>(RMB in thousands)</i> |               |                |
| Revenue from sources other than city-specific cloud hospital platforms <sup>(1)</sup> . . . . . | 2,755                     | 6,534         | 6,020          |
| <b>Total revenue of the Internet medical services . . . . .</b>                                 | <b>55,057</b>             | <b>93,407</b> | <b>137,834</b> |

(1) The revenue of Internet medical services from sources other than city-specific cloud hospital platforms increased from RMB2.8 million in 2020 to RMB6.5 million in 2021, mainly due to an increase in the volume of remote consultation services in 2021, contributed by certain medical institutions outside the city-specific cloud hospital platforms based on satisfactory experience with the Internet medical services offered.

To better serve the unique situations of different cities, we carefully tailor development strategies and offer packages of Internet medical services for each city-specific cloud hospital platform based on local situations. For example, if the information technology development level of primary medical institutions in certain cities in Southern China is relatively low, they are more incentivized to connect to our platform to digitalize their operations. Accordingly, we may elect to connect with a large number of primary medical institutions first, and then hospitals in such cities, or vice versa in other cities. Also, we may initially offer various types of services in different cities based on our understanding of the local needs. For example, one of the first services we provided through the city-specific cloud hospital platforms in Kunming was the Internet home care services; and in Liaoyang, it was the smart family doctor services. As a result, the specific service offerings and revenue growth from the city-specific cloud hospital platforms in different cities may vary significantly depending on the development strategies we adopt.

Going forward, we intend to further (i) connect with more medical institutions with the expansion of our city-specific cloud hospital platforms to offer a more comprehensive selection of Internet medical services; (ii) advance the construction of our existing city-specific cloud hospital platforms and include more types of service offerings; and (iii) stimulate user interaction and strengthen our relationship with medical institutions by our local operational team.

Revenue of the Internet medical services segment from sources other than city-specific cloud hospital platforms is primarily generated from the provision of Internet medical services by medical institutions via their connecting to our cloud hospital network or establishing institutional-based independent cloud hospital systems in cities where we have not yet begun construction of any city-specific cloud hospital platform. Such revenue was RMB2.8 million, RMB6.5 million and RMB6.0 million in 2020, 2021 and 2022, respectively, which was generated under both the proprietary model and the platform model. We generally become acquainted with such customers through various business development activities conducted by our designated local sales and marketing teams, as well as customer referrals.

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## BUSINESS

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### Case Study: Ningbo

The following sets forth the development history of the Ningbo Cloud Hospital platform:

- In 2015, we developed the first city-specific cloud hospital platform in China, according to Frost & Sullivan, the Ningbo Cloud Hospital platform and established our own hospital in 2015 through which we started to provide Internet medical services on a trial basis. The Ningbo Cloud Hospital platform is among the first in the PRC healthcare industry to integrate cloud computing, IoT, mobile Internet, big data and other technology into its infrastructure.
- From 2014 to 2016, the Ningbo Cloud Hospital platform was under construction, initiated under the direction of local governments. We established the Ningbo Cloud Hospital platform to enable secure and shared access to EHRs and integrate online and offline medical resources.
- From 2016 to 2019, we focused more on providing Internet medical services through the Ningbo Cloud Hospital platform. We started with offering smart family doctor services, enabling patients and other healthcare consumers to sign up for family doctors and obtain healthcare services in real time. Such services have helped us effectively expand our customer base, allowing us to further monetize our platform, and at the same time, introduced to patients our smart healthcare products, through which family doctors can track patients' health data and provide guidance to treat the relevant chronic diseases, and accordingly increased their stickiness to our Ningbo Cloud Hospital platform. Meanwhile, in 2016, we started to provide Internet home care services through the Ningbo Cloud Hospital platform based on local needs. We also proactively focused on the integration of Internet medical services with social and commercial medical insurances over the Ningbo Cloud Hospital platform. In September 2018, we initiated pilot trials at two hospitals in Ningbo and were able to accomplish mobile payment by social medical insurance with respect to 23 chronic diseases and 153 medications. Since April 2019, Internet medical consultations and prescription drug purchases have gradually become payable by social medical insurance online. In addition, we also helped to establish remote medical service centers at hospitals to offer these to primary medical institutions through the Ningbo Cloud Hospital platform.
- Since 2019, our Ningbo Cloud Hospital platform has continued to drive our business growth. We continue to work with connected medical institutions to further expand the scale of services based on local needs.
- Starting in 2020, we have been taking further steps to empower over 30 large-scale hospitals in Ningbo to establish their own cloud hospital systems connecting to the Ningbo Cloud Hospital platform. Such cloud hospital systems allow such large-scale hospitals to tailor their Internet medical services and provide more value-added services. We believe that hospitals with their own cloud hospital systems connecting to the Ningbo Cloud Hospital platform will drive both service volumes and average service prices, increasing our customer stickiness and enhancing our competitive edge over competitors, and contributing meaningful revenue from Internet medical services going forward.

## BUSINESS

The following table sets forth the revenue generated from our Ningbo Cloud Hospital platform for the years indicated:

|  | Year ended December 31,   |               |                |
|--|---------------------------|---------------|----------------|
|  | 2020                      | 2021          | 2022           |
|  | <i>(RMB in thousands)</i> |               |                |
| Cloud hospital platform services . . . . . | 5,512                     | 7,088         | 4,765          |
| Internet medical services . . . . .        | 45,080                    | 70,922        | 97,277         |
| <b>Total . . . . .</b>                     | <b>50,592</b>             | <b>78,010</b> | <b>102,042</b> |

We have been continually expanding our network of medical institutions, optimizing and developing the functional modules of the platform, and developing independent cloud hospital systems for medical institutions. The number of medical institutions connected to our Ningbo Cloud Hospital platform continued to increase from 647 in 2020 to 744 in 2021 and further to 754 in 2022. By December 2020, all of the medical institutions in Ningbo had become connected to the Ningbo Cloud Hospital platform, according to the Health Commission of Ningbo. In collaboration with medical institutions connected to our Ningbo Cloud Hospital platform, we provide patients with access to approximately 13,000 doctors and 8,700 nurses, serving over 8.5 million residents in 11 districts and counties in Ningbo as of December 31, 2022. As of the same year, the Ningbo Cloud Hospital platform offered 37 types of healthcare services covering 53 medical specialties.

The Internet home care services increased considerably on the Ningbo Cloud Hospital platform during the Track Record Period. The service volume of our Internet home care services increased from 5,900 in 2020 to 11,000 in 2021 and further to 23,000 in 2022, combined with an increase in the number of nurses on the Ningbo Cloud Hospital platform from 5,600 in 2020 to 6,200 in 2021 and further to 8,700 in 2022. The service volume of Internet home care services of approximately 11,000 in 2021 accounted for approximately 60% of the total service volume in Zhejiang province in the year.

We maintained a high customer retention rate of our Internet home care services in Ningbo with 48% of customers repurchasing such services in 2021. In 2022, among the 49 types of Internet home care services we provide, three top services relating to the peripherally inserted central catheter, urinary catheter and nasogastric tube became payable by social insurance over the Ningbo Cloud Hospital platform. These three top services were provided 700,000 times by hospitals in Ningbo in 2021. We believe the integration of such services with social insurance over the Ningbo Cloud Hospital platform will help to further grow our business going forward. Because of its proven success in delivering home care services, our Ningbo Cloud Hospital platform was selected by the provincial government as an example to promote province-wide Internet home care services.

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## BUSINESS

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There has also been growth in the remote medical services on the Ningbo Cloud Hospital platform. As of December 31, 2022, there were 44 remote medical service centers at hospitals offering remote medical services to 273 cloud clinics at primary institutions through the Ningbo Cloud Hospital platform. The 44 remote medical service centers at hospitals also offered remote medical services to cloud clinics at the primary medical institutions outside of Ningbo. In 2020, 2021 and 2022, the remote medical services provided through the Ningbo Cloud Hospital platform covered approximately 70,000, 82,000 and 72,000 patients, respectively.

Our Ningbo Cloud Hospital platform gained global attention and was awarded eHealth Champion Prize at the World Summit on the Information Society for its contributions. The proven success of the Ningbo Cloud Hospital platform exemplified how we helped local healthcare system improve the efficiency of healthcare services and achieve a reduction in the costs of delivering care through patient-centric and market-oriented operations.

### **Case Study: Shenyang**

Our Shenyang Cloud Hospital platform is another example of the successful implementation of the city-specific cloud hospital platform with customized strategies and tailored services adapting to specific cities. The following sets forth the development history of the Shenyang Cloud Hospital platform:

- In 2015, we started to build our Shenyang Cloud Hospital platform and established our own hospital.
- In 2018, the platform construction was completed. We began with addressing the demands for infrastructure at the primary level in Shenyang, and undertook projects to construct and update platforms for governmental bodies at different levels. From 2018 to 2020, we expanded our platform to two more districts in Shenyang to upgrade the medical information infrastructure. Furthermore, in 2019, we helped the Liaoning provincial government to establish a monitoring platform that covered all cities across Liaoning Province, which strengthened our capability and increase our potential to provide services to Shenyang and other cities in Liaoning province. Upon the completion of our city-specific cloud hospital platform, we adopted a strategy of providing healthcare services in Shenyang by prioritizing smart family doctor services and remote medical services at primary level as the entry points. We launched our smart family doctor services in Hunnan district in 2018 and in Yuhong district in 2019. In March 2019, we started cooperating with the Shenyang NHSA to conduct pilot projects for reimbursing medical expenses arising from family doctor subscription services, online consultations, and prescriptions with social medical insurance.

## BUSINESS

We focused on offering remote medical services after having identified and strategized to match the abundant medical resources at hospital levels and the high demands from primary medical institutions by forming medical specialty consortiums to offer remote medical services, primarily in reproductive medicine and oncology. For example, as of December 31, 2022, our medical specialty consortium in reproductive medicine covered 31 hospitals across the province. Primary medical institutions can identify potential patients for in vitro fertilisation and provide preoperative examinations. Patients can undergo in vitro fertilisation procedures at prestigious large hospitals and return to local primary medical institutions for rehabilitation treatment. This enhances the operational efficiency of hospitals and increases the volume of services provided by primary medical institutions, promoting more efficient cooperation between hospitals and primary medical institutions and concomitantly providing patients with a better medical experience at lower expense. With these medical specialty consortiums, we were also able to extend the scope of our online hospital services offerings to include direct online medical consultation and prescription processing services in February 2019. We also began to implement additional value-added services in the reproductive area, such as routine examination report analysis and embryo report analysis.

The following table sets forth the revenue generated from our Shenyang Cloud Hospital platform for the years indicated:

|  | <b>Year ended December 31,</b> |               |               |
|--|--------------------------------|---------------|---------------|
|  | <b>2020</b>                    | <b>2021</b>   | <b>2022</b>   |
|  | <i>(RMB in thousands)</i>      |               |               |
| Cloud hospital platform services . . . . . | 38,610                         | 16,902        | 13,844        |
| Internet medical services . . . . .        | 6,545                          | 14,061        | 27,391        |
| <b>Total</b> . . . . .                     | <b>45,155</b>                  | <b>30,963</b> | <b>41,235</b> |

In 2020, 2021 and 2022, the penetration rate (calculated as the number of hospitals connected to our platforms as a percentage of the total number of hospitals in 2020 in the respective city) of Shenyang was generally higher than 40%. During the same year, remote medical service volume was approximately 218,000, 369,000 and 610,000, respectively. Our comprehensive health management services volume was approximately 72,000, 93,000 and 79,000, respectively. We have been continuing to build and implement new service modules to meet the evolving needs of governments, medical institutions, patients, and healthcare consumers. For example, with the Internet home care services policy introduced in Liaoning in June 2021, we are currently developing Internet home care services as part of our Internet medical services to be implemented on the Shenyang cloud hospital platform. With our proven record with the Shenyang Cloud Hospital platform, we have extended our coverage to additional five cities in Liaoning Province since 2016.



## BUSINESS

### Health Management Services

We provide offline health management services through our own medical institutions to institutional and individual clients. Our institutional clients typically are government agencies, corporations, banks and insurers, who purchase our services for the benefit of their employees. Our service offerings include the comprehensive health management services and chronic disease management services, covering the full healthcare life cycle. As of December 31, 2022, we had a chain of ten self-owned medical institutions with an average gross floor area of 3,000 square meters and an average of 50 to 70 employees located in nine cities. See “– Medical Resources – Our Own Medical Institutions” for details.

As of December 31, 2022, our health management services served approximately 6,700 institutional clients, increased from approximately 4,902 as of December 31, 2020. In 2020, 2021 and 2022, the volume of our health management services was approximately 475,000, 525,900 and 480,000, respectively.

Our competitive edges for health management services mainly include: (i) quality services and well-established reputation in regional markets; (ii) strong business development capabilities with institutional customers; and (iii) better use experience than with other traditional offline health check-up service providers realized through our offering of Internet medical services. Users of the health management services can store their EHR via an online portal and seek an online consultation if any health issue is identified.

The following table sets forth a breakdown of our revenue from health management services by customer for the year indicated:

|                                 | Year ended December 31,                           |              |                |              |                |              |
|---------------------------------|---|--------------|----------------|--------------|----------------|--------------|
|                                 | 2020  |              | 2021           |              | 2022           |              |
|                                 | Amount  | %            | Amount         | %            | Amount         | %            |
|                                 | <i>(RMB in thousands, except for percentages)</i> |              |                |              |                |              |
| Institutional clients . . . . . | 193,491   | 87.0         | 205,905        | 85.5         | 179,372        | 85.7         |
| Individual clients . . . . .    | 28,974  | 13.0         | 35,013         | 14.5         | 29,827         | 14.3         |
| <b>Total . . . . .</b>          | <b>222,465</b>                                    | <b>100.0</b> | <b>240,918</b> | <b>100.0</b> | <b>209,199</b> | <b>100.0</b> |

In general, we charge service fees for health management services based on factors such as the scope of services of the health management packages selected, the number of employees of the institutional clients to be covered, and the duration of such package.

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## BUSINESS

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The revenue of this segment is generally of a recurring nature, as the demand for check-up services normally recurs on an annual basis. We had a strong track record of revenue growth for this segment. Our large base of institutional clients for health management services accounted for more than 70% in terms of revenue contribution of this segment. Such institutional clients are mostly corporations who entered into contracts with us for the provision of health management services to their employees on an annual basis. The relevant contracts typically have a term ranging from one to three years and tend to be renewed upon expiration, as the health check-ups are normally included in the employee benefits pack offered by the corporations and is a recurring need. In 2020, 2021 and 2022, the retention rate of our institutional clients in this segment (calculated as the number of institutional clients who purchased our services in both the current year and the preceding year divided by the total number of institutional clients we served in the preceding year) was 53%, 67% and 68%, respectively. In the same years, the utilization rate (calculated as the volume of health management services divided by the annual theoretical service volume capacity (which is ascertained based on each health management center's gross floor area and operational conditions)) was 53%, 60% and 67%, respectively.

Our competitive edges for health management services mainly include: (i) better user experience than with other traditional offline health check-up service providers realized through our offering of Internet medical services, as users of the health management services can store their EHR via an online portal and seek Internet medical services if any health issue is identified; (ii) quality services and well-established reputation in regional markets; and (iii) strong business development capabilities with institutional customers.

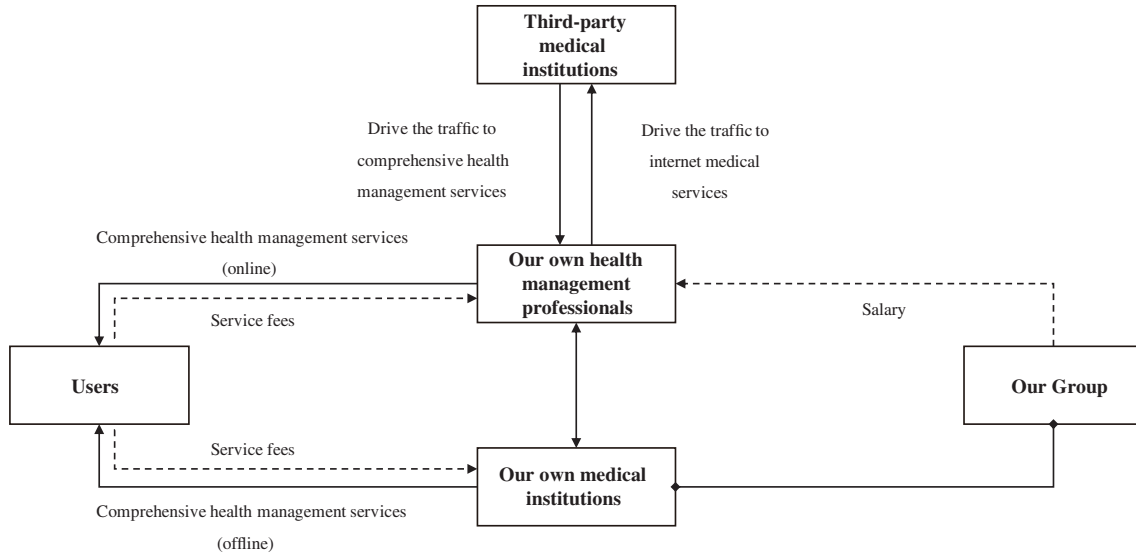
### *Comprehensive Health Management Services*

We offer comprehensive health management services to both individual customers and institutional clients, who purchase package services from us for their employees. Our comprehensive health management services include (i) offline health check-ups through our own medical institutions and (ii) online health management services including virtual well-being tutorials and lifestyle planning recommendations provided by our online health management professionals. In addition, our online health management professionals also conduct follow-up surveys on patients' satisfaction level of our Internet medical services to better cater to their long-term medical needs and ensure the consistency of quality of our services. Consumers who have particular medical demands or who have identified health risks can further seek professional medical advice by purchasing add-on services under our Internet medical services, including smart hospital services and online medical consultations.

As our own medical institutions are directly connected to our cloud hospital platforms, such customers and our on-site medical professionals are able to access the rich offerings and medical resources available on such platforms. For example, after a patient completes a check-up at our own medical institutions, health information and check-up results will be automatically uploaded to our cloud hospital platforms and such customers can receive professional advice over the platforms.

## BUSINESS

The following flowchart sets forth the transaction flow of our comprehensive health management services:



The following screenshots show some examples of the interface of our comprehensive health management services:



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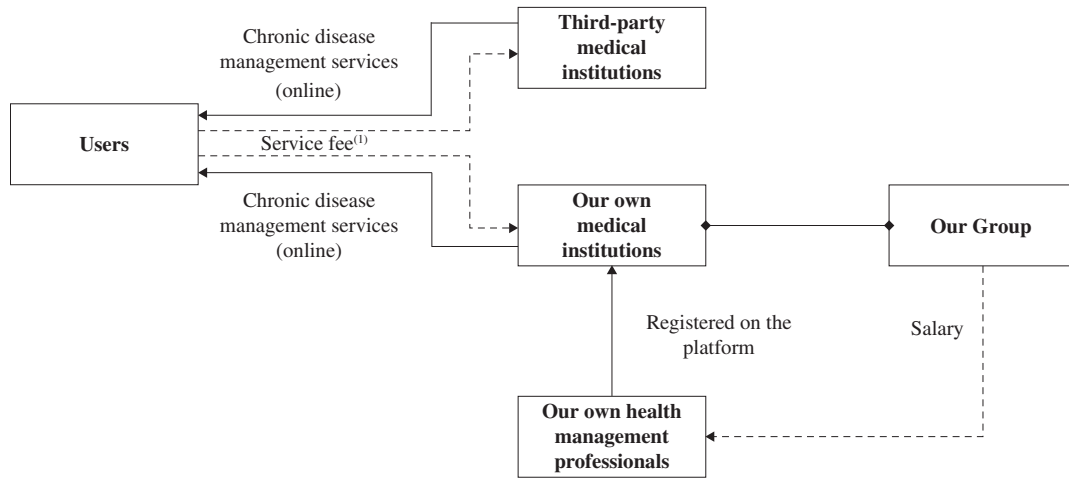
## BUSINESS

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### *Chronic Disease Management Services*

We provide online chronic disease management services to patients based on EMRs and digital health records generated from our smart healthcare products, enabling our own online health management professionals to monitor the patients' chronic disease condition on a real-time basis and formulate healthcare news feed services and intervention plans for the patients based on their chronic disease condition.

The following flowchart sets forth the transaction flow of our chronic disease management services:



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(1) For chronic disease management services provided by third-party medical institutions, the service fee is paid directly by the users to the third-party medical institutions, and we do not charge any fee during the process. However, to enable the provision of such chronic disease management services, we provide platform construction or connection services and generate revenue under the cloud hospital platform services segment.

## BUSINESS

The following screenshots show some examples of the interface of our chronic disease management services:



### *Managed Healthcare Project with Rongsheng Insurance*

During the Track Record Period, we cooperated with Rongsheng Insurance, a commercial medical insurer and an associate of Neusoft Corporation, with respect to a managed healthcare project on chronic disease management in Anshan, under the initiatives of the local branch of the National Healthcare Security Administration (“NHSA”). This managed healthcare project was intended by the Anshan branch of NHSA to explore ways to actively manage the review process of medical bills relating to chronic diseases and facilitate the health management of patients with chronic diseases to reduce medical expenditures, as opposed to passively reimburse them for their expenses.

In particular, we were engaged by Rongsheng Insurance to (i) set up the procedures and standards relating to identification of patients with chronic diseases, the scope and dosage of chronic disease medication and review of prescriptions on chronic diseases, (ii) monitor the implementation of such procedures and standards at outpatient departments of target medical institutions and report any issues discovered. We also help Rongsheng Insurance with prescription reviews and cost saving efforts. With respect to identified patients with chronic diseases at the relevant outpatient departments, we offer health management services and provide health information, including establishing health records and signing up family doctors over our platforms, and periodically reviewing their status. The term of this cooperation is two and half years, subject to a renewal mechanism if both parties agree to continue the cooperation

## BUSINESS

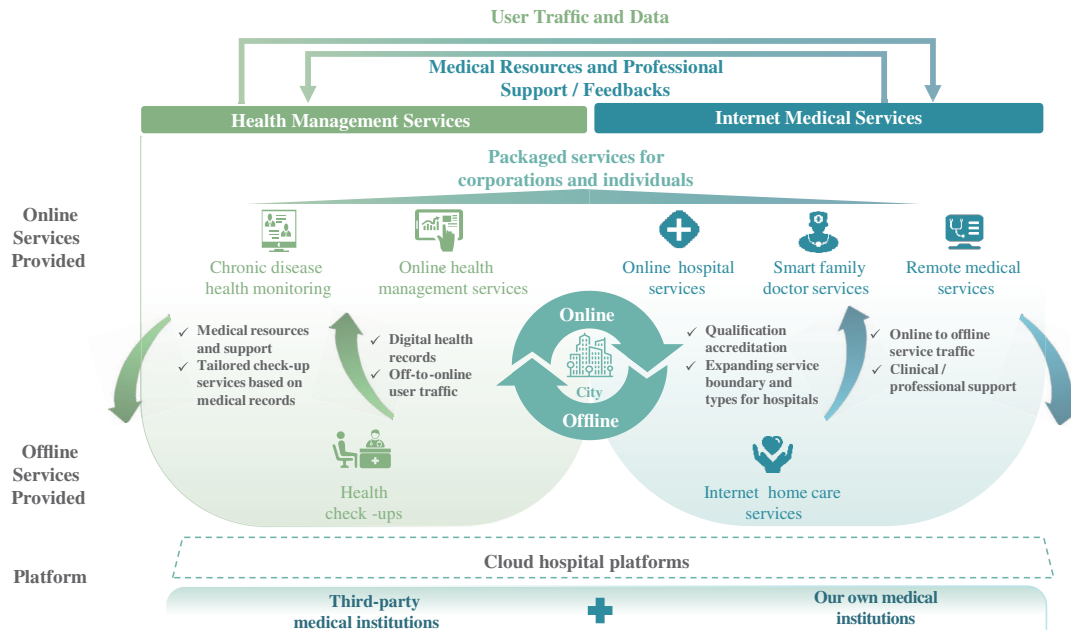
within 30 days before its expiry. We charge project management fees based on the number of patients with chronic diseases under our management, and a lump sum medical service fee. In 2020, revenue generated from Rongsheng Insurance from the managed healthcare project amounted to RMB120,000.

We believe that this managed healthcare project is valuable to patients, medical institutions and local governments, and illustrates how our solutions can be utilized in various settings. In particular, those patients with chronic diseases were given access to our cloud hospital platforms and received chronic disease management services conveniently to manage health and improve treatment results. Through strict implementation of the procedures and standards relating to chronic diseases, we helped medical institutions and local social medical insurance administrations reduce unnecessary medical expenditure and save healthcare costs.

This type of collaboration also represents a new way of how our solutions can contribute to the improved efficiency of medical expenditures and create value for both social medical insurance administrations and commercial medical insurers. Leveraging our in-depth understanding of various medical specialties, we are well positioned to grasp similar cooperative opportunities to establish business relationships and channel patients of particular groups to our cloud hospital platforms and solutions.

### *Synergy between Internet Medical Services and Health Management Services*

The following diagram illustrates the synergies between our Internet medical services and health management services:



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## BUSINESS

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The Internet medical services and health management services address the needs of patients who seek medical care and healthcare consumers who seek to maintain a healthy lifestyle, thereby covering the full cycle of healthcare. They are offline and online integrated as such two services can both be directly accessed by patients and other healthcare consumers primarily through local governments’ or hospitals’ apps, WeChat official accounts and their other channels, or through the “Xixin Health” (熙心健康) app as well as its WeChat official account and WeChat mini program. Users of our Xixin Health app and its WeChat official account and WeChat mini program are able to access most of the medical resources in our platform networks upon authorization by relevant local governments, medical institutions or practitioners to enjoy convenient Internet healthcare services. In addition, they can also enjoy the services available on our cloud hospital platforms through our Digital Clinic product or via practitioners at primary medical institutions who utilize the remote medical services for more precise diagnosis and treatment.

The Internet medical services and health management services have generated considerable synergistic effects. On the one hand, our health management services can effectively enhance our understanding of the local needs for Internet medical services, allowing us to precisely provide Internet medical services in collaboration with local medical institutions.

On the other hand, consumers can receive one-stop healthcare services from healthcare management to professional medical consultation, as (i) our comprehensive health management services can be accessed through the same online portals (for example, our “Xixin Health” channel) as our Internet medical services on the city-specific cloud hospital platforms; and (ii) consumers’ electronic health records (the “EHRs”) collected from our offering of comprehensive health management services with consent can be stored and retrieved for doctors from our own medical institutions or at third-party medical institutions registered on our platforms, forming a dynamic and comprehensive basis for them to give professional medical advice.

In particular, customers can check their health check-up results on the online portal. If any health issues are identified through the check-up, customers can access our internet medical services, including online hospital services, remote medical services, smart family doctor services, and Internet home care services through our platforms, creating strong synergies with the Company’s Internet medical services.

Meanwhile, our Internet medical services can effectively support our provision of chronic disease management services by providing real-time medical resources, professional support and feedback. For example, we are able to recommend doctors at hospitals registered on our platform for patients or healthcare consumers to seek medical advice via remote consultation in specialized area. In cases where high risks are identified, we also refer such patients to third-party medical institutions through our cloud hospital platforms.

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## BUSINESS

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### Smart Healthcare Products

We offer a variety of smart healthcare products embedded with IoT technology to medical institutions, businesses and individuals to cover the various healthcare needs under settings such as communities, workplaces and households.

Our smart healthcare product offerings mainly include: Digital Clinic (智慧雲診室) and Digital Pharmacy (智慧雲藥房) products for primary medical institutions, All-in-One Healthcare Device (健康一體機) for practitioners in rural communities, and smart healthcare devices for households. Our smart healthcare products are aimed at institutions and individuals. In particular, smart healthcare products are aimed at institutional settings are those that meet the needs of primary medical institutions and doctors to enhance their operational efficiency, including, for example, Digital Clinic and Digital Pharmacy products and All-in-one Healthcare Device. Our smart healthcare products aim at individual settings are those that meet their needs for personal health management, including smart blood pressure monitors, smart blood glucose meters, and smart wearables.

Our smart healthcare products are integrated into our cloud hospital platforms. They supplement the offerings in our Internet medical services and health management business, as these products are able to digitize and transmit vital signs and test results to our platforms, to facilitate remote medical consultations, drug delivery and establish EHRs for individuals. These products also help healthcare providers (for example, family doctors of the smart family doctors services) and family members to continually monitor the patients’ health conditions and provide necessary and timely intervention, allowing for more efficient and effective care.

We typically have a fixed purchase price for the smart healthcare devices, but not for Digital Clinic and Digital Pharmacy products and the All-in-One Healthcare Device, which typically also include software and services components. Our customers in this segment primarily include local governments, primary medical institutions and corporations. In particular, we typically go through tender and bidding processes for sales of smart healthcare products to local government and medical institution clients. Meanwhile, for corporate clients, we typically negotiate and set the prices directly with customers. For details with respect to the manufacturing, raw material and inventory, quality control and customer services of our smart healthcare products, see “– Our Suppliers – Manufacturing,” “– Our Suppliers – Raw Materials and Inventory,” “– Our Suppliers – Quality Controls” and “– Our Customers – Customer Support and Services.”

We also provide other medical and wellness products to medical institutions and individuals to meet their customized needs, such as ultrasound equipment, surgical consumables and meal replacement products. In particular, in early 2020 we were approached by six overseas companies which purchased pulse oximeters and other healthcare products, as the outbreaks and rapid spread of COVID-19 caused shortages of relevant healthcare devices in certain overseas markets. These companies are mostly foreign-based distributors in the healthcare industry, offering medical and healthcare products such as medical devices and personal hygiene products to medical institutions, practitioners and households. While these



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companies resold the medical devices they purchased from us to their respective end customers, we mainly entered into one-off sales and purchase agreements. In 2020, 2021 and 2022, we generated revenue of RMB2.7 million, RMB2.7 million and nil, respectively, from such sales to overseas companies.

The following table sets forth a breakdown of our revenue from the smart healthcare products by setting for the years indicated:

|   | Year ended December 31,                           |              |                       |              |                |              |
|---|---|--------------|-----------------------|--------------|----------------|--------------|
|   | 2020  |              | 2021                  |              | 2022           |              |
|   | Amount  | %            | Amount                | %            | Amount         | %            |
|   | <i>(RMB in thousands, except for percentages)</i> |              |                       |              |                |              |
| Smart healthcare products targeted at institutional settings. . . . . | 98,829  | 67.3         | 140,969               | 92.7         | 215,930        | 99.0         |
| Smart healthcare products targeted at individual settings. . . . .    | 48,046  | 32.7         | 11,041 <sup>(1)</sup> | 7.3          | 2,083          | 1.0          |
| <b>Total . . . . .</b>  | <b>146,875</b>                                    | <b>100.0</b> | <b>152,010</b>        | <b>100.0</b> | <b>218,013</b> | <b>100.0</b> |

(1) Revenue from our smart healthcare products targeted at individual settings decreased in 2021 primarily because we focused more on providing smart healthcare products targeted at institutional settings in 2021.

Our competitive edges for smart healthcare products mainly include: quality value-added features of products that can digitize and transmit vital signs and test results to our platforms, and facilitate remote medical consultations, among other advantages.

### ***Digital Clinic (智慧雲診室) and Digital Pharmacy (智慧雲藥房) Products***

We provide Digital Clinic and Digital Pharmacy products to empower primary medical institutions in lower tier cities and rural areas of China. Our customers for these products typically include local governments, primary medical institutions and corporations. The Digital Clinic and Digital Pharmacy products are intelligent interactive equipment that provides convenient and accessible self-service healthcare services including testing, remote medical consultations and prescription pick-ups that cater to the customized needs of primary medical institutions. We do not directly operate any Digital Clinic and Digital Pharmacy.

Through our Digital Clinic product, patients are able to measure their basic physical information and vital signs, such as blood pressure, weight, height, blood temperature and pulse rate. Such measurement data are uploaded in real-time to our platforms and stored under the patients' accounts, which they can subsequently access through their mobile devices. The Digital Clinic is also equipped with a computer on which patients can access the Internet

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medical services over our cloud hospital platforms. As a result, patients can also initiate online medical consultations through our Digital Clinic product, whereby medical professionals can remotely access and analyze the patients’ measurement data and make recommendations or issue prescriptions accordingly.

The patients can collect the prescribed drugs through our Digital Pharmacy once the prescription is approved and processed and payment made. The drugs available in our Digital Pharmacy product are typically supplied and sold by the primary medical institutions. To help patients seeking to purchase drugs outside their visiting hours, the primary medical institutions may designate doctors on evening and weekend duty to remotely serve such patients through our Digital Clinic product. Access to Digital Clinic and Digital Pharmacy is controlled by the primary medical institutions, which may also assign medical professionals to guide residents in using such facilities.

We typically enter into sales agreements with customers, principally local governments, primary medical institutions and corporations, to sell our Digital Clinic and Digital Pharmacy products. Depending on the customer needs, we may also offer complementary services that connect such smart healthcare products to particular health systems or platforms; we typically bundle such products and services together for pricing. In general, the sales price of a standard set of our Digital Clinic and Digital Pharmacy products ranges from RMB50,000 to RMB200,000. In addition, we can customize our products based on the customers’ specifications such as the size of equipment or the scope of health check-up items at a premium. The sales price of such advanced sets typically ranges from RMB200,000 to RMB500,000. In 2020, 2021 and 2022, the sales volumes of our Digital Clinic and Digital Pharmacy products were 191, 188 and 178, respectively.

### *All-in-One Healthcare Device (健康一體機)*

Our All-in-One Healthcare Device is a portable smart health measurement device designed to aid practitioners in the rural areas of China. This device can help practitioners establish individual health records for public health purposes, conduct post-treatment follow-up visits, measure vital signs and perform diagnostic tests, and monitor patients with chronic diseases, among other things. Our primary customers for this product are local governments.

The All-in-One Healthcare Device has basic functions of blood pressure measurement, oxygen saturation, electrocardiogram and pulse rate, and can be connected through USB or Bluetooth to a series of add-on devices including blood glucose meter, thermometer gun, urine analyzer, blood lipid analyzer, blood uric acid meter, body fat tester, hematology analyzer, body composition analyzer, spirometer, biochemistry analyzer, fetal heart rate monitor and weight scale. The measurement data can be uploaded via the Internet to our platforms, or the local public health platforms to meet local regulatory requirements.

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In general, the sales price of our All-in-One Healthcare Device products ranges from RMB5,000 to RMB20,000. In 2020, 2021 and 2022, the sales volumes of our All-in-One Healthcare Device products were 1,994, 4,144 and 815, respectively. We had higher sales in 2021 compared with both 2020 and 2022, mainly because we secured more large contracts from institutional clients in 2021, particularly through our cooperation with local health administrations to provide such devices to primary medical institutions. As of December 31, 2022, our All-in-One Healthcare Devices were used in approximately 27,900 primary medical institutions.

### *Smart Healthcare Devices*

We offer a rich portfolio of smart healthcare devices to patients and other healthcare consumers, including smart blood pressure monitors, smart blood glucose meters, smart voice assistant speakers, and smart wearables such as smart bands and ECG patches. These devices allow patients or healthcare consumers and their family members to better monitor and manage health. Our primary customers for smart healthcare devices are corporations and individual customers.

Patients and healthcare consumers can subscribe to our ancillary services for a periodic fee, to establish their EHRs over our platforms based on the measurement data generated from our smart healthcare devices, engage medical professionals to provide health management recommendations and report their interpretations based on the measurement data, and send real-time measurement data or alerts regarding abnormal results to family members.

## MEDICAL RESOURCES

### Medical Institution Network

As of December 31, 2022, there were 35,500 medical institutions connected to our platform, the majority of which were in the public sector. We have been continually working on the technological integration within our network of medical institutions to maximize the synergies of such collaboration. The number of medical institutions connected to our platform increased consistently during the Track Record Period. The table below sets forth a breakdown of medical institutions connected to our platform as of the dates indicated:

|   | As of December 31, |               |               |
|---|--------------------|---------------|---------------|
|   | 2020               | 2021          | 2022          |
| Class III hospitals . . . . .   | 501                | 586           | 700           |
| Class II hospitals . . . . .  | 892                | 1,099         | 1,200         |
| Other hospitals. . . . .  | 403                | 441           | 500           |
| <b>Subtotal of hospitals<sup>(1)</sup></b> . . . . .                  | <b>1,796</b>       | <b>2,126</b>  | <b>2,400</b>  |
| <b>Primary medical institutions</b> . . . . .                         | <b>29,005</b>      | <b>32,533</b> | <b>33,000</b> |
| <b>Specialized public health institutions<sup>(2)</sup></b> . . . . . | <b>84</b>          | <b>92</b>     | <b>100</b>    |
| <b>Total</b> . . . . .  | <b>30,885</b>      | <b>34,751</b> | <b>35,500</b> |

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- (1) According to Frost & Sullivan, as of December 31, 2021, the total number of Class III and Class II hospitals in the PRC was 14,123, 49.6% of which had connected to one or more digital healthcare platforms. As there are 1,685 Class III and Class II hospitals connected to our platform as of the same date, our penetration rate was approximately 24.1% in terms of the number of Class III and Class II hospitals connected to digital healthcare platforms.
- (2) Specialized public health institutions include disease control institutions, specialized disease prevention and treatment institutions, and maternal and child health institutions, among others.

As of the Latest Practicable Date, there were 35,600 medical institutions in our network. The majority of the primary medical institutions are connected to our platform for free, mostly providing smart family doctor services through our platform.

As of December 31, 2020, 2021 and 2022, our city-specific cloud hospital platforms were connected with 26.8%, 30.9% and 31.5% of the hospitals available in our network, respectively, and with 19.1%, 19.2% and 19.3% of the primary medical institutions available in our network, respectively. The following table sets forth the number of hospitals and primary medical institutions in our network, including those connected to our city-specific cloud hospital platforms, as of the dates indicated:

|   | As of December 31, |                                    |              |                                    |              |                                    |
|---|--------------------|------------------------------------|--------------|------------------------------------|--------------|------------------------------------|
|   | 2020               |                                    | 2021         |                                    | 2022         |                                    |
|   | Hospitals          | Primary<br>medical<br>institutions | Hospitals    | Primary<br>medical<br>institutions | Hospitals    | Primary<br>medical<br>institutions |
| <b>Cities with city-specific cloud hospital platforms</b> |                    |                                    |              |                                    |              |                                    |
| Ningbo . . . . .  | 77                 | 570                                | 109          | 635                                | 110          | 650                                |
| Shenyang . . . . .  | 112                | 997                                | 134          | 997                                | 140          | 1,000                              |
| Others . . . . .  | 292                | 3,965                              | 450          | 4,641                              | 570          | 4,750                              |
| <b>Subtotal . . . . .</b>                                 | <b>481</b>         | <b>5,532</b>                       | <b>693</b>   | <b>6,273</b>                       | <b>820</b>   | <b>6,400</b>                       |
| <b>Others . . . . .</b>                                   | <b>1,315</b>       | <b>23,473</b>                      | <b>1,433</b> | <b>26,260</b>                      | <b>1,580</b> | <b>26,600</b>                      |
| <b>Total . . . . .</b>                                    | <b>1,796</b>       | <b>29,005</b>                      | <b>2,126</b> | <b>32,533</b>                      | <b>2,400</b> | <b>33,000</b>                      |

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### **Medical Professionals**

As of December 31, 2020, 2021 and 2022, we had a team of approximately 61,200, 102,200 and 113,000 doctors, respectively, registered with our cloud hospital platforms. As of the same dates, there were approximately 10,300, 16,500 and 38,000 nurses, respectively, registered with our cloud hospital platforms. All of these doctors and nurses were registered practitioners with the relevant medical institutions (including our own medical institutions) in our network of medical institutions. We do not enter into any exclusive service arrangements with the doctors and nurses from third-party medical institutions, although we typically enter into platform registration agreements with them.

### **Our Own Medical Institutions**

As of December 31, 2022, we had a chain of ten self-owned medical institutions with an average gross floor area of 3,000 square meters and an average of 50 to 70 employees, comprising two hospitals in Ningbo and Shenyang and eight medical institutions in Shanghai, Shenyang, Changsha, Hefei, Fuzhou, Chengdu, Xi'an and Dandong. These medical institutions offer customized comprehensive health management services for individuals and institutional clients. As of the same date, check-up services at nine of our medical institutions can be reimbursed through social medical insurance.

### **Integration with Social and Commercial Medical Insurance**

We have achieved the integration of our city-specific cloud hospital platforms in Ningbo and Shenyang with social medical insurance. When medical insurance designated medical institutions commence operations on such platforms, the medical costs for the online hospital services offered by them to patients can be conveniently settled via social medical insurance to the extent eligible. These two platforms have accumulated a large number of medical insurance designated medical institutions of different classes.

We conduct rigorous review procedures before payment is settled under medical insurance, including patient ID verification, follow-up visit verification, diagnosis and treatment information, settlement scope management, expenses payment and operation analysis, in order to minimize the risk of fraudulent medical bill settlement.

For commercial medical insurers, we currently cooperate with Rongsheng Insurance in a managed healthcare project in Anshan. For details, see “– Our Solutions – Health Management Services – Chronic Disease Management Services – Managed Healthcare Project with Rongsheng Insurance.”

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### BUSINESS SUSTAINABILITY

We had achieved sustained business development but were loss-making during the Track Record Period. The following table sets forth certain financial data for the years indicated:

|  | Year ended December 31,                           |           |           |
|--|---|-----------|-----------|
|  | 2020  | 2021      | 2022      |
|  | <i>(RMB in thousands, except for percentages)</i> |           |           |
| Revenue . . . . .  | 503,008   | 614,302   | 687,415   |
| Gross profit . . . . .                                   | 134,108   | 170,229   | 168,450   |
| Gross profit margin . . . . .                            | 26.7%   | 27.7%     | 24.5%     |
| Net loss . . . . .                                       | (198,544)   | (294,407) | (243,364) |
| Net loss margin . . . . .                                | (39.5)%   | (47.9)%   | (35.4)%   |
| Adjusted net loss margin (non-HKFRS<br>measure). . . . . | (29.6)%   | (20.4)%   | (21.4)%   |

Our loss-making position is primarily due to the following reasons:

- In the early stage following inception, our primary revenue sources were the health management services and smart healthcare products segments. In 2020, revenue from both segments together accounted for 73.4% of our total revenue. The revenue of the cloud hospital platform services and Internet medical services was relatively small both in absolute numbers and as percentages of the total revenue. Our cloud hospital platforms (including city-specific cloud hospital platforms) are deployed based on our cloud hospital platform technology infrastructure. For details, see “– Technology and Infrastructure.” We have been enriching and enhancing the standard functions and modules along with the establishment of cloud hospital platforms in more cities and for more medical institutions. Such enrichment and enhancement require continual research and development investment of a significant amount in the early stage, but once such functions and modules are developed, they can be applied towards future engagements. As these functions and modules become more diversified and complete, we encounter fewer customization request from clients when providing platform construction services, thereby obtaining economies of scale.
- The growth of our city-specific cloud hospital platforms is characterized by progressive growth rather than a rapid surge. For example, our first two city-specific cloud hospital platforms, Ningbo and Shenyang Cloud Hospital platforms, completed initial construction in 2015 and 2016, respectively. However, in 2019, the revenue from Ningbo and Shenyang Cloud Hospital platforms (from the cloud hospital platform services and Internet medical services) was RMB20.7 million and RMB3.4 million, respectively, which was relatively small. For the other city-specific cloud hospital platforms, contracts were signed and initial construction has since been or will be completed at different points of time. In general, the organic growth within each of our city-specific cloud hospital platforms as well as the replication of such model in other cities needs several years to materialize.

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As a result of our continued efforts to achieve sustainability, our financial performance steadily improved from 2020 to 2022. Our revenue grew from RMB503.0 million in 2020 to RMB687.4 million in 2022, a CAGR of 16.9%. Our gross profit margin improved from 26.7% in 2020 to 27.7% in 2021. Our adjusted net loss margin (non-HKFRS measure) narrowed from 29.6% in 2020 to 20.4% in 2021, and increased slightly to 21.4% in 2022.

### Future Plans to Improve Our Business Sustainability

#### Revenue

Revenues generated from each of our business segments witnessed growth during the Track Record Period. The following table sets forth the development of our revenue by business segment for the years indicated:

|  | Years ended December 31,                          |                     |                       |                     |                       |                     |
|--|---|---------------------|-----------------------|---------------------|-----------------------|---------------------|
|  | 2020  |                     | 2021                  |                     | 2022                  |                     |
|  | <i>Amount</i>                                     | <i>%</i>            | <i>Amount</i>         | <i>%</i>            | <i>Amount</i>         | <i>%</i>            |
|  | <i>(RMB in thousands, except for percentages)</i> |                     |                       |                     |                       |                     |
| Cloud hospital platform services . . . . . | 78,611  | 15.6                | 127,967               | 20.8                | 122,369               | 17.8                |
| Internet medical services . . . . .        | 55,057  | 11.0                | 93,407                | 15.2                | 137,834               | 20.1                |
| Health management services . . . . .       | 222,465   | 44.2                | 240,918               | 39.2                | 209,199               | 30.4                |
| Smart healthcare products . . . . .        | 146,875   | 29.2                | 152,010               | 24.8                | 218,013               | 31.7                |
| <b>Total . . . . .</b>                     | <b><u>503,008</u></b>                             | <b><u>100.0</u></b> | <b><u>614,302</u></b> | <b><u>100.0</u></b> | <b><u>687,415</u></b> | <b><u>100.0</u></b> |

Our total revenue increased from RMB503.0 million in 2020 to RMB687.4 million in 2022, realizing an increase by RMB184.4 million or roughly 1.4 times. Among the four segments, the cloud hospital platform services and Internet medical services are the two fastest growing segments in terms of revenue. As compared with the cloud hospital platform services and Internet medical services, health management services and smart healthcare products are relatively mature segments in terms of revenue, especially, with respect to the period prior to 2021; these two segments are our major revenue contributors with stable revenue growth. For details, see “Financial Information – Consolidated Statements of Comprehensive Income – Revenue from Contracts with Customers” and “Financial Information – Results of Operations.” Generally, we expect that our revenue will continue to grow due to the increase in customer numbers, our deepening relationships with customers, and increased average selling prices, as we further enhance the quality of our service offerings.

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### *Cloud Hospital Platform Services*

The revenue from the cloud hospital platform services increased from RMB78.6 million in 2020 to RMB122.4 million in 2022, realizing an increase by roughly 1.6 times, at a CAGR of 24.8%. We expect our revenue from the cloud hospital platform services to grow as a result of (i) the expansion of our customer base for our cloud hospital platforms, including local governments and medical institutions, among others, (ii) an increase of the number of our city-specific cloud hospital platforms, (iii) efforts to encourage our existing customers to continually upgrade city-specific cloud hospital platforms by equipping more customized modules, and (iv) our development of independent cloud hospital systems for medical institutions. In addition, upon the completion of the platforms or the medical institutions becoming connected, customers are deterred from switching to other service providers as such switching costs are high, thereby driving the growth of our platform connection services.

Our city-specific cloud hospital platforms have continual revenue generating capabilities for this segment after the initial platform construction is complete. In 2020, 2021 and 2022, the percentage of recurring revenue (calculated as the repurchase revenue, regardless of the type of services it relates to, from existing customers of this segment as a percentage of the total segment revenue of that year) remained relatively stable at about 30% of the total revenue of our cloud hospital platform services segment. For example, our Ningbo and Shenyang Cloud Hospital platforms have concluded their respective initial construction over three years, yet we are still generating considerable revenue from cloud hospital platform services over both platforms. The following table sets forth a revenue breakdown of the Ningbo and Shenyang Cloud Hospital platforms from this segment for the years indicated:

|  | <b>Year ended December 31,</b> |               |               |
|--|--------------------------------|---------------|---------------|
|  | <b>2020</b>                    | <b>2021</b>   | <b>2022</b>   |
|  | <i>(RMB in thousands)</i>      |               |               |
| Ningbo Cloud Hospital platform . . . . .   | 5,512                          | 7,088         | 4,765         |
| Shenyang Cloud Hospital platform . . . . . | 38,610                         | 16,902        | 13,844        |
| <b>Total</b> . . . . .                     | <b>44,122</b>                  | <b>23,990</b> | <b>18,609</b> |

Our strategic focus on establishing city-specific cloud hospital platforms avails us of favorable government policies promoting the development of “Internet + Healthcare” services. In particular, according to the “Implementation Guideline for Promoting High-Quality Development of Healthcare Industry (2019-2022)” issued by the NDRC in 2019, the construction of healthcare information platforms within provinces to connect medical institutions and share medical resources and data through such platforms, promoting the digitalization and balanced distribution of medical sources within provinces is encouraged. As of December 31, 2020 and 2022, our network grew from 24 to 29 city-specific cloud hospital platforms.



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The business opportunities outside our existing city-specific cloud hospital platforms also constitute an important part of our cloud hospital platform services. In 2020, 2021 and 2022, 15.6%, 45.2% and 29.0% of the revenue from cloud hospital platform services came from sources other than the city-specific cloud hospital platforms, respectively. We typically provide cloud hospital platform services by establishing functional modules for local governments and developing independent cloud hospital systems for medical institutions.

The business drivers for our cloud hospital platform services mainly include (i) large customer demand for the functional modules of our platform; (ii) strong sales and marketing team and network to address the particular needs of users; (iii) competitiveness of our products and services; and (iv) well-established brand awareness in the industry. We believe that the functional modules established for local governments can lay the groundwork for future engagements with local governments, including the continual provision of platform upgrade services, and with such upgrades, it can be potentially developed into a city-specific cloud hospital platform. We believe such offerings showcase our service capabilities and lay a solid basis for cooperation potential in the establishment of city-specific cloud hospital platforms in such cities in future. Notably, we generated respectable revenue generated from cloud hospital platform services in cities other than those with established city-specific cloud platforms as our revenue sources expanded, which demonstrated that we did not solely rely on cities where there are established city-specific cloud hospital platforms.

### *Internet Medical Services*

The revenue from the Internet medical services increased from RMB55.1 million in 2020 to RMB137.8 million in 2022, realizing an increase by roughly 2.5 times, at a CAGR of 58.2%. We expect that revenue from our Internet medical services will grow significantly due to (i) the growth of service volume attributable to (a) the expansion of our city-specific cloud hospital platform network to cover more cities; (b) the increase in the number of medical institutions connected to our city-specific cloud hospital platforms; and (c) increased user engagement (including by both medical institutions and patients) on our platforms based on our tailored development strategies and dedicated operation teams; and (ii) the increase in average service fees with less promotional efforts and more premium services. For example, as part of our tailored strategies, in some cities we initially offered more free or discounted Internet medical services to attract users, but gradually reduce such efforts over time as we built up our brand awareness.

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There have also been significant increases in the service volumes the Internet medical services during the Track Record Period. In particular, from 2020 to 2022, the service volume of the online hospital services (comprising online consultations and prescriptions processed) increased from 1.4 million to 2.5 million, the service volume of the Internet home care services increased from 16,400 to 54,000, and the service volume of the smart family doctor services (although free of charge) increased from 1.4 million to 5.2 million. The following table summarizes the volumes of the services offered over our cloud hospital platforms for the years indicated:

|  | Year ended December 31, |         |         |
|--|-------------------------|---------|---------|
|  | 2020                    | 2021    | 2022    |
|  | <i>(in thousands)</i>   |         |         |
| Online consultations . . . . .         | 512.9                   | 1,111.4 | 1,674.0 |
| Prescriptions processed . . . . .      | 925.8                   | 787.0   | 839.0   |
| Remote medical services . . . . .      | 701.0                   | 860.6   | 1,067.0 |
| Smart family doctor services . . . . . | 1,417.6                 | 2,306.6 | 5,218.0 |
| Internet home care services . . . . .  | 16.4                    | 29.9    | 54.0    |

We have been continually making efforts to stimulate the activeness of medical institutions, particularly hospitals, on our cloud hospital platforms. In 2020, 2021 and 2022, the average volume of the Internet medical services per medical institution was 116, 147 and 249, respectively. The generally increasing trend demonstrates an increase in the activeness of hospitals connected to our cloud hospital platforms. We actively seek to increase the activeness of such hospitals by deploying local operational teams and devoting more resources to them.

We have witnessed a growing number of healthcare participants in our cloud hospital network over the years. As of December 31, 2020, 2021 and 2022, 1,796, 2,126 and 2,400 hospitals were connected to our cloud hospital network, respectively.

Historically, revenue breakdown by city-specific cloud hospital platform for this segment fluctuated considerably, largely due to different circumstances in each city. We have identified and focused on 8 cities (including Ningbo and Shenyang) with strong potential and favorable local factors for Internet medical services. We actively promote Internet medical services by deploying local operational teams and devoting more resources to these cities. It took one and three years, respectively, for Ningbo and Shenyang to reach RMB2 million of revenue from Internet medical services after the completion of platform initial construction. We expect the remaining six cities to demonstrate similar growth trajectories. Most of such cities' platform construction was completed in 2020 or shortly afterwards. Accordingly, historically, these cities have not contributed much to the Internet medical services segment in terms of revenue. The city-specific cloud hospital platforms of most of these eight cities (except for Ningbo and Shenyang) were initially constructed or pending completion in or after 2020, hence it is reasonable that they have not yet contributed significant Internet medical services revenue. Among these eight cities, City B's platform construction was completed in 2019, and it had

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generated revenue of RMB2.6 million of Internet medical services in 2022, which already significantly exceeded its full year revenue of this segment, or RMB77,000, in 2021. For the other cities of which the initial construction of city-specific cloud hospital platforms was completed in 2020, namely City A and City C, they both demonstrated significant growth trajectories in 2021 and 2022.

### *Health Management Services*

Our health management services contributed a significant portion of our total revenue prior to 2021. It has witnessed a relatively slow yet stable revenue growth, and such trend is expected to continue. The segment revenue in the year ending December 31, 2022 was expected to be adversely affected by the COVID-19 pandemic, which has led to the temporary closure of several of our self-owned medical institutions.

We expect that our revenue will grow moderately in line with an increase in service volume. The revenue of this segment is generally of a recurring nature, as the demand for check-up services normally recurs on an annual basis. Our large base of institutional clients for health management services accounted for more than 70% in terms of revenue contribution of this segment. Such institutional clients are mostly corporations who entered into contracts with us for the provision of health management services to their employees on an annual basis. As of December 31, 2022, our health management services served approximately 6,700 institutional clients, increasing from approximately 4,902 as of December 31, 2020. In 2020, 2021 and 2022, the retention rate of our institutional clients in this segment (calculated as the number of institutional clients who purchased our services in both the current year and the preceding year divided by the total number of institutional clients we served in the preceding year) was 53%, 67% and 68%, respectively. The slightly increased retention rate of our institutional clients demonstrated improved customer satisfaction, which can help us retain more customers effectively.

### *Smart Healthcare Products*

The smart healthcare products segment was growing slowly in terms of revenue during the Track Record Period, and is expected to maintain such growth rate. We expect our revenue from smart healthcare products to grow as a result of increased sales volume of our smart healthcare products. We expect to benefit from the general expansion of our local government and medical institution client base, and increasing brand awareness as a result of our other service offerings to fuel the expansion of this segment.

### *Gross Profit and Gross Margin*

We had positive gross profit and gross margins in 2020, 2021 and 2022. The level of our gross margins is largely affected by our business mix. In general, we expect our gross profit and gross margin to improve as we achieve economies of scale of our cloud hospital platforms and as we continue to enrich our service offerings and provide premium services.

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### *Cloud Hospital Platform Services*

Our cloud hospital platform services segment had relatively high gross margins during the Track Record Period, mainly because the costs of this segment, comprising the costs for development and connection of cloud hospital platforms, are shared among different platforms given the replicability and scalability of our cloud hospital platform technology infrastructure.

Our gross margin of this segment is also expected to improve due to reduced costs resulting from economies of scale and reduced development and implementation costs of establishing new cloud hospital platforms. This is because once the standard functions and modules are developed, they can be applied towards other engagements in the future, and as the functions and modules over the cloud hospital platforms become more diversified and complete, we encounter fewer customization requests from clients when providing platform construction services.

### *Internet Medical Services*

Our Internet medical services segment had generally relatively lower gross margins compared to other segments during the Track Record Period.

The gross margin of our Internet medical services is also expected to improve as we increase the average service fees and offer more premium Internet medical services. In particular, as part of our tailored strategies, in some cities we offered more free or discounted Internet medical services to attract users to try out and utilize the services offered at an early stage when we first began to promote our services in those cities. As we operate for a longer period of time and build up our brand awareness in such cities, we will gradually reduce the portion of free services or offer fewer discounts. Meanwhile, we expect to enjoy economies of scale as more users and healthcare providers are utilizing our cloud hospital platforms and Internet medical services. In addition, we plan to increase the service volume of the Internet medical services provided by third-party medical institutions and generate platform management fees, which have a higher gross margin.

### *Health Management Services*

Our health management services had generally relatively higher gross margins during the Track Record Period as fixed costs of this segment remained relatively stable regardless of the changes in the scale of our health management services.

We expect the gross margin of our health management services to slightly further improve, as more fixed assets become fully depreciated, and as a result of our continued efforts to proactively improve the operational efficiency of our medical institutions.

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### *Smart Healthcare Products*

Our smart healthcare products segment had relatively low gross margins during the Track Record Period, mainly due to our competitive pricing strategies to increase the market presence of our smart healthcare products, which, we believe, will allow us to generate additional synergy with our other business segments in the long term. For details, see “Financial Information – Consolidated Statements of Comprehensive Income – Gross Profit and Gross Margin” and “Financial Information – Results of Operations.”

Although the gross margin for our smart healthcare products will not necessarily increase since we plan to continue to implement competitive pricing strategies, we expect to increase our market presence and generate synergy for our other business segments.

### *Operating Expense Leverage*

During the Track Record Period, we were able to achieve rapid growth with strong operating leverage. Because of the growth of our revenue base, our selling and marketing expenses, research and development expenses, and administrative expenses accounted for a lower percentage of our revenue, despite the increases of these expenses in absolute amount. The following table sets forth our selling and marketing expenses, research and development expenses and administrative expenses, in each case excluding share-based compensation and [REDACTED] expense, as a percentage of revenue for the years indicated:

|  | Year ended December 31, |             |             |
|--|-------------------------|-------------|-------------|
|  | 2020                    | 2021        | 2022        |
|  |                         | (%)         |             |
| Selling and marketing expenses excluding share-based compensation as a percentage of revenue.                                  | 18.6                    | 17.5        | 15.7        |
| Research and development expenses excluding share-based compensation as a percentage of revenue . . . . .                      | 12.7                    | 11.2        | 10.3        |
| Administrative expenses excluding share-based compensation and [REDACTED] expense as a percentage of revenue . . . . .         | 17.0                    | 14.3        | 11.2        |
| <b>Total operating expenses excluding share-based compensation and [REDACTED] expense as a percentage of revenue . . . . .</b> | <b>48.3</b>             | <b>43.0</b> | <b>37.2</b> |

Our operating expenses excluding share-based compensation and [REDACTED] expense as a percentage of total revenue were 48.3%, 43.0% and 37.2% in 2020, 2021 and 2022, respectively. We expect to further improve the efficiency of our selling and marketing, research and development, and administrative activities and our spending on such activities. As a result of our continuous business expansion, we expect our operating expenses to increase in absolute amounts but decrease as a percentage of total revenue in the long term due to economies of scale. We have been making efforts to control expenses by adopting more stringent expense controls and budget approval policies.

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In the future, we expect to continually rapidly grow our revenue and gradually improve our gross profit margin, and we do not expect to have significant investments in sales and marketing, research and development and administrative matters. The efforts above have contributed and are expected to continue to support our sustainability and improve our profitability.

### DATA PRIVACY AND PROTECTION

We have established a comprehensive data security system that provides security protection over management, technology and operation. Our information architecture, the cloud hospital platform, has obtained Level 3 certifications in Chinese classified protection of information system security. In addition, our information systems have been certified by various ISO standards, including ISO/IEC 27001 (Information Security Management System Certification), ISO/IEC 20000 (Information Technology Service Management System Certification), ISO 9001 (Management System Certification), ISO 45001 (Occupational Health and Safety) and ISO 14001 (Environmental Management System Certification). Meanwhile, we have also passed Maturity Level 3 of Capability Maturity Model Integration (CMMI). We continually develop and protect our information security infrastructure from multiple dimensions, including the following aspects:

- **Infrastructure physical security.** Our information infrastructure has been deployed in a professional cloud data center, which is one of the most advanced green data centers in China, equipped with professional protection capacities in physical security, hardware security, software security and network security.
- **Network security.** To ensure network stability, we have adopted a redundant network structure and installed professional load-balancing equipment. Meanwhile, we created different security zones in our information networks and adopted appropriate network security policies. In addition, we installed intrusion detection and defense equipment in critical locations to monitor and defend against cyberattacks.
- **Application security.** We apply server alarm policies to check for malfunction of each server and fix malfunctions timely. Meanwhile, the multi-factor user password policies and role-based access controls were adopted to secure user login and user access. Moreover, practices such as access authorization and time policies enable us to ensure security of user privacy.
- **Data security.** We apply methods including cloud storage, redundancy policies and backup policies to prevent accidental data loss, and we leverage encryption technology, CA authentication and digital signature to ensure the authenticity, integrity and accountability of the data in the cloud hospital platform.

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- **Privacy protection.** We implement hierarchical protection of user information, and apply privacy policies including access authorization, encrypted storage, encrypted transmission and de-identification to prevent the loss or leak of personal privacy information. Meanwhile, we have established a complete privacy management mechanism to provide a full range of personal privacy information protection under different settings such as software development, utilization of systems, daily inspection, and emergency response.
- **Cybersecurity management system.** We have built a unified monitoring system to oversee the operating status of the host and systems, and assign personnel to conduct system inspections, upgrade system patches, and perform virus and vulnerability scans on a regularly basis.
- **Auditing and compliance.** We have implemented a comprehensive audit procedure and regularly perform audits on major security incidents and conduct comprehensive reviews over the overall condition of platform security and measures and processes taken in security management.

We are responsible for ensuring the accuracy of our deliverables regarding cloud hospital platforms and system data to customers in accordance with relevant agreements. To ensure that the data collected and database formed within the cloud hospital platform are complete, accurate and comply with national and industry standards, we have established internal data protection procedures with respect to data access authorization controls, data encryption and decryption management, data classification management and data de-identification management in accordance with relevant PRC laws and regulations, and obtained various certifications in relation to cybersecurity such as Level 3 certifications in Chinese classified protection of information system security and certifications under various ISO standards. In particular, our data access authorization controls are designed to prevent unauthorized access to data by third parties. Our data encryption and decryption management ensures the confidentiality of data, and allows the recipients of data to ascertain whether data have been altered and the identity of the sources of data. Our data classification management focuses on different levels of protection measures over the three major categories of data. Our data de-identification management further enhances the confidentiality of sensitive personal data, while maintaining data consistency.

For example, we have designated three security categories of data based on confidentiality, completeness and undeniability status, and adopted differentiated measures and technology to restrict access to such data. With respect to public data such as those relating to publicity of our Group and our solutions, and those for purposes of showcasing the service offerings available over the cloud hospital platforms (such as basic information regarding the hospitals and doctors in our network, and service contents), we adopt basic data management measures, which mainly include data authorization controls and basic level of back-up duplicates and disaster recovery clusters. We have in place strict controls over unidentifiable personal information (such as age, gender and location) and basic healthcare data (such as allergies, diagnosis and medication history, vital signs and medical-related activity logs),

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which mainly include web security authentication, whitelisting, authorization management over database access, and local back-ups and remote disaster recovery. We implement even more stringent management over transaction data (such as payment information) and identifiable personal data (such as name, contact number and identification document number). These management measures mainly include web security authentication, whitelisting, authorization management over database access, data encryption and decryption, data de-identification, operation and maintenance fortress machines, measures against cyberattacks, and local back-ups and remote disaster recovery. Our employees shall abide by our data protection policies, which contain detailed safety and security requirements concerning the workplace, office computers, Internet and emails, user account and data and documents. We offer regular training on data protection matters. We have also set up a whistle-blower mechanism and a clear award and penalty system for exemplary behavior or violations of data protection policies by employees.

We have employed data encryption and decryption techniques in the storage, transmission and processing of business data. We de-identify data such as identification document numbers and contact numbers through encrypted storage and data masking techniques to ensure patients' identities and information are protected. We have assigned a unique personal health record code, or PHRCODE, to each patient, generated based on special encryption algorithms. No personal identities or information can be deduced from such PHRCODE.

We apply Level 3 information security protection management to the cloud hospital platform in accordance with PRC laws and regulations as well as relevant national specifications and technical standards to ensure the security of the cloud hospital platform and the data collected and database formed within the cloud hospital platform are complete, accurate and comply with the relevant standards. We have filed our Level 3 information security protection management of the cloud hospital platform with the governmental public security authority in accordance with PRC laws and regulations. After examination by the governmental public security authority, we have obtained the Level 3 Certification in classified protection of information system security since 2018. In addition, as required by those PRC laws and regulations as well as relevant national specifications and technical standards, we conduct self-evaluation and inspection over our information systems at least once a year, and no material issue concerning the cloud hospital platform has been found as a result. Additionally, we have also obtained certifications under various ISO standards in respect of information security management, which are widely recognized by organizations and entities internationally. We continually integrate the PRC and international standards for information security on which the relevant certifications are based into our own information security management systems, and set up and implement the relevant procedures, including carrying out risk assessment, vulnerability scans and penetration testing on a regular basis, so as to ensure that the data collected and database formed within our cloud hospital platform are complete, accurate and comply with the relevant standards.

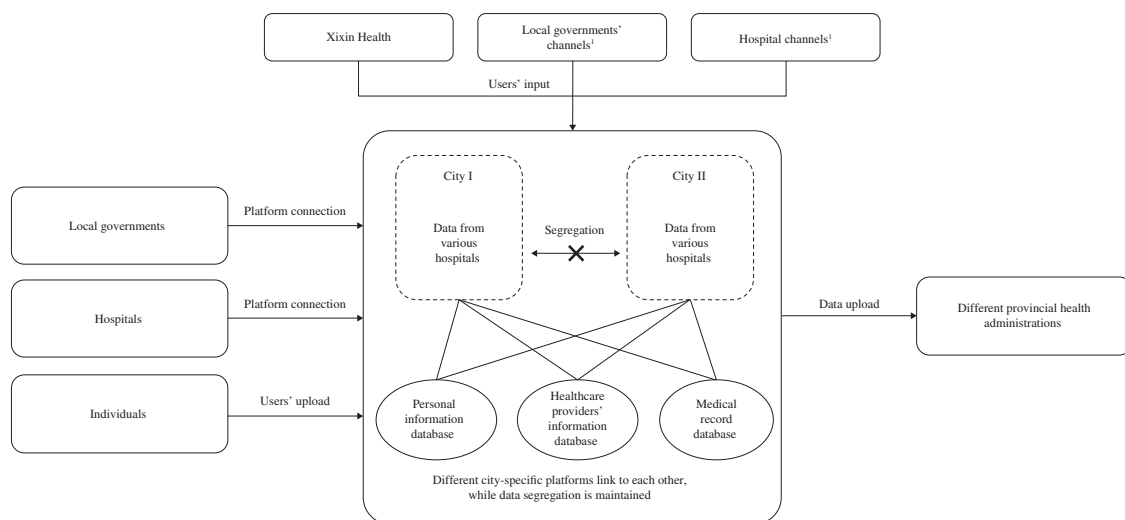


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The data of the cloud hospital platforms are either stored in public cloud servers owned by us or private cloud servers owned by our customers, and the types of data stored do not differ between private or public cloud servers. Most of the city-specific cloud hospital platforms are based on public cloud servers owned by us, while the rest are based on customers' private cloud servers. In general, public cloud platforms do not differ from private cloud servers in terms of platform functions and development processes. The major difference is that private cloud platforms are deployed in private data centers designated by the relevant local governments. Regardless whether it is based on public or private cloud servers, a city-specific cloud hospital platform shall typically be utilized by medical institutions within that city only, though its access by residents is not limited to those of that particular city. In terms of data privacy and security, we have implemented comprehensive data protection mechanisms over public cloud platforms to realize data segregation between cities and different medical institutions, while the physical separation ensures data protection and segregation over private cloud platforms.

Data stored in the private cloud server is separated from data stored on the public cloud server. On the public cloud servers, data from each city-specific hospital platform is only accessible within the specific city as data from different city-specific platforms are stored separately from each other. For data stored in the public cloud servers, we established security safeguards such as virtual firewalls, virtual private networks and traffic monitoring to prevent data leaks. For data stored in the private cloud servers, data can be accessed and protected by techniques such as data visit controls and authorization, and we help customers to establish and maintain effective data privacy measures. For data stored in the private cloud servers, we use data encryption technology to ensure data from different sources are effectively segregated. For data stored in the public cloud servers, we assign a globally unique identifier ID to each entity so that each entity can only gain limited access to data through the assigned ID.

The following flowchart sets forth the data flows and linkage within the cloud hospital platform:



*Note:*

- (1) Local governments' and hospitals' channels include apps and WeChat official accounts.

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We strive to comply with all applicable laws, regulations and industry standards for data arrangements, privacy and security in our operations. In general, according to our terms of service and except as required by relevant laws and regulations, by registration with and logging into our cloud hospital platforms, individual users and healthcare providers acknowledge that they permit and authorize our use of the information we are provided with and the information generated in the course of utilizing our cloud hospital platforms. The individual users also acknowledge under the terms of service that they authorize the relevant healthcare providers to use their information that is necessary for such healthcare providers to provide services to them or to improve their service quality. The individual users have the right to withdraw their consent and authorization at any time pursuant to the terms of service by deleting their accounts from our platforms. We also need to obtain authorization from local governments and medical institutions for utilizing individuals' data sourced from them. We will proactively work with the local governments and medical institutions on agreement renewal before expiry. Upon the expiry of the relevant agreements with particular local governments and medical institutions and in the absence of renewal, we will handle the data sourced from them in accordance with the relevant agreement terms and PRC laws and regulations (for example, return or delete such data). We give the relevant healthcare providers the necessary user information only pursuant to the authorized scope. To ensure the security of user information, we and our healthcare providers owe a duty of confidentiality to the users with respect to such information.

For public data such as those relating to our publicity and our solutions, and those for purposes of showcasing the service offerings available over the cloud hospital platforms (such as basic information concerning the medical institutions and medical professionals in our network, and the service contents), we have the right to utilize such data without consent for as long as we are authorized to do so pursuant to our agreements with the relevant parties. Meanwhile, we do not own the personal information data that are collected or generated in the course of the users' utilization of our cloud hospital platforms, but we have the right to utilize such data in accordance with and subject to the consent and authorization by these users and in accordance with applicable laws and regulations. We do not directly monetize such data. Rather, we organize and transform such data to standardized and structured data, and then facilitate the sharing of the data over our cloud hospital platforms so that the relevant healthcare participants are able to access and make decisions based on such data with prior consent and authorization in rendering their healthcare services, thereby increasing the overall efficiency of the healthcare system.

We have established a data security management committee responsible for devising data security strategies, comprising five members of our senior management in charge of operations and data protection and headed by our CEO, Ms. Zong Wenhong. For details, see "Directors and Senior Management." We have also designated two special teams under this committee, namely the data security incident team and data security management team. The data security incident team is responsible for handling specific data security incidents, which consists of six members from our technology, maintenance security, product, finance, legal and medical service quality departments. The data security management team is responsible for management of data security work in our daily operations, which consists of three members from our maintenance security, finance and legal departments.

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Our PRC Legal Advisor, after reviewing relevant materials provided by us and based on our confirmation of certain facts relating to our operations, is of the view that the Internet security, data security and personal information protection involved in the operation of our business in the PRC in all material respects did not violate PRC laws and regulations on Internet security, data security and personal information protection during the Track Record Period and up to the Latest Practicable Date, based on the following:

- In situations where we process personal information as a personal information processor, in all material respects, our processing of personal information does not violate the principles of lawfulness, fairness and necessity and we have fulfilled our obligations to notify individuals and obtained authorization from individuals in accordance with PRC laws and regulations, and our protection of personal information rights does not violate PRC laws and regulations; and in situations where we are entrusted by our cooperating clients to process personal information and other data, we are not in violation of any PRC laws or regulations or agreements with such cooperating clients in all material respects.
- Our processing of data other than personal information does not violate PRC laws and regulations in all material respects.
- The data processed by us in our business operations is stored in the PRC, without involving cross-border data transmission, and is not in violation of PRC laws and regulations related to cross-border data transmission in all material respects.
- We have established an Internet and data security-related organizational system, designated a responsible person and management committee in charge of Internet and data security, and implemented Internet and data security training.
- We have developed and implemented an internal management system and relevant technical measures for Internet and data security.
- Our information platform for conducting our business operations in the PRC has obtained the Level 3 Certification in classified protection of information system security.
- The PRC Internet sector has experienced intense scrutiny over data protection and privacy in recent years. In particular, in June 2021, the Beijing Branch of CAC, jointly with other local authorities, issued a notice that they would perform special regulatory actions on apps' collection and use of personal information in Beijing from June to November in 2021. Accordingly, we have been continuously enhancing our internal controls over data collection and privacy while working closely with the regulators since then. The relevant regulators had an inquiry meeting with us in July 2021 regarding certain issues of data collection and use of personal information, and we reported the results and our rectifications accordingly. As of the date of this document, we had not received any formal notice from the relevant regulators regarding any subsequent administrative actions or comments on our rectification,

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nor did we receive any penalties as a result. As of the same date, we were not the subject of any review, inquiry, notice, warning, investigation or sanction by the CAC. Except for the foregoing, we have not been subject to any complaint or claim relating to non-compliance issues including Internet security, data security or personal information protection, nor have we been subject to any investigation, penalty, rectification order or other regulatory measure due to Internet security, data security or personal information protection matters.

On November 14, 2021, the CAC published for public comment the Draft Administration Regulations on Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft CAC Regulations on Internet Data Security”). The final version and effective date of such Draft CAC Regulations on Internet Data Security may be subject to change. As of the date of this document, the Draft CAC Regulations on Internet Data Security had not come into effect and we had not received any notices or inquiries from relevant competent authorities requiring us to apply for cybersecurity review.

On December 28, 2021, the CAC together with other regulators jointly announced the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “Cybersecurity Review Measures”), effective from February 15, 2022. Pursuant to the Cybersecurity Review Measures, besides the procurement of network products and services by critical information infrastructure operators, any data processing activities by network platform operators that affect or may affect national security shall be subject to cybersecurity review as well. In accordance with the Cybersecurity Review Measures, network platform operators handling personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市). On February 7, 2022, the Company’s PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心), which is delegated by the CAC to accept applications for cybersecurity review. During the consultation, the Company’s PRC Legal Advisor informed the staff regarding the Company’s proposed [REDACTED] plan, and the staff confirmed that currently the Company need not to apply for the cybersecurity review. The Company’s PRC Legal Advisor is of the view that the staff consulted and the China Cybersecurity Review Technology and Certification Center are competent to give such confirmations. Based on the understanding of the Cybersecurity Review Measures and the consultation with the CAC mentioned above, our PRC Legal Advisor is of the view that [REDACTED] on the Main Board does not fall within the scope of “listing abroad” which triggers cybersecurity review by cyberspace administrations as provided in the Cybersecurity Review Measures currently, because there are currently no official interpretations on the scope of “listing aboard” in the above provisions, and Hong Kong is a part of the PRC. On February 8, 2022, the Sole Sponsor’s PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center, the staff of which verbally confirmed that, in accordance with the Cybersecurity Review Measures, a [REDACTED] in Hong Kong does not need to apply for the cybersecurity review. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may require us to apply for the cybersecurity review for other reasons.

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Based on (i) the fact that the Draft CAC Regulations on Internet Data Security has not come into effect, (ii) the results of the telephone consultations on the Cybersecurity Review Measures made respectively by the Company’s PRC Legal Advisor and the Sole Sponsors’ Legal Advisor on February 7 and February 8, 2022, and (iii) the view of the Company’s PRC Legal Advisor, as of the date of this document, the Sole Sponsor is not aware of any material matter that indicates the Draft CAC Regulations on Internet Data Security and the Cybersecurity Review Measures will have any material adverse impact on the Group’s business operation and financial performance.

## TECHNOLOGY AND INFRASTRUCTURE

We established the first city-specific cloud hospital platform in China in 2015 according to Frost & Sullivan, connecting local governments, medical institutions, insurers and other stakeholders.

Our cloud hospital platform is the core technology and infrastructure of the cloud hospital platforms. It is a set of application systems, constituted by function modules including the online hospital services module, remote medical services module, family doctor services module, Internet nursing care services module, health management services module and chronic disease management services module. For details on these modules, see “– Our Solutions – Cloud Hospital Platform Services – For Medical Institutions.” We built and developed our cloud hospital platform using our proprietary technology. The cloud hospital platform provides reliable data security and flexible operational support. Meanwhile, our cloud hospital platform promotes the integration of medical resources and the integration of online and offline healthcare services, to further enhance the quality of healthcare services and ultimately help us realize our value propositions.

- **Powerful data integration, processing and analytics capabilities.** Through unified APIs, we integrate the services and data resources from local governments, medical institutions and other participants. We create valuable data assets by utilizing our cloud hospital platform’s powerful data processing and analytic abilities, while leveraging data cleaning, data mining, data governance and business intelligence technologies. In particular, we transform raw and disparate data from multiple sources, which are siloed, underutilized and static, and convert them into computable, structured and standardized data through the following techniques:
  - ***Data aggregation.*** To aggregate data from systems located in multiple networks, we implement data preprocessing in such networks. Through unified APIs and protocol specifications, our data preprocessing can be realized through multiple means including our self-developed ETL (extract, transform, load) tools. We utilize the same storage method for data aggregated to our cloud hospital platforms as for the original raw data to retain their recoverability, so that such data can be adapted to different contexts.

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- **Data processing.** Our self-developed ETL tools make visualized data editing possible in data processing, and they can also adapt to various types of raw data processing operations and achieve a variety of cleansing and conversion processes, such as type conversion, and merging and splitting.
- **Quality controls.** To ensure consistency in quality of data sourced from different information systems, we implement ETL functions at the data preprocessing stage to perform preliminary processing and filtering. We have also developed data quality evaluation tools and conduct data cleansing based on the evaluation results.
- **Data analytics and application of AI.** By utilizing AI technology, we conduct data analyzing, data modeling and disease risk predicting and evaluation to assist doctors on our cloud hospital platforms in providing better healthcare services.
- **Smart healthcare products and open healthcare IoT platform.** Leveraging our IoT capabilities, we developed smart healthcare products that cater to various settings for medical institutions, workplaces, communities and households, which improve the efficiency, quality and accessibility of the delivery of healthcare services.
- **Flexible and accurate operational support capabilities.** We formed a multi-tenant, structured and standardized operation support system to provide flexible and accurate service operational support. We enable multiple operational modes and customized visual effects. Meanwhile, we provide precise and flexible operational tools to empower customers.
- **Professional and smart service quality control capabilities.** Based on the requirements of industry standards, service processes and risk control, we have developed professional and smart service quality control capabilities. Through digital signatures and encryption technologies, we provide trusted authentication. We apply AI technology combined with assistance from medical professionals to achieve efficient supervision over service quality.
- **Stable and reliable information security assurance capabilities.** We have implemented comprehensive and strict data security and privacy procedures to ensure the security, confidentiality, integrity, stability and reliability of data on our cloud hospital platform. For details, see “– Data Privacy and Protection.”

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### Research and Development

We invest substantial resources in research and development to improve our technology, develop new solutions that are complementary to existing ones and find ways to better support our customers. Our research and development activities aim to optimize the functionalities of our solutions. The details of our major research and development activities are as follows:

- ***Improve the functionality of cloud hospital platforms.*** We continually optimize and refine the service functions of our cloud hospital platforms, utilizing technologies such as mobile Internet, IoT and AI. We conduct in-depth analysis to explore and understand the specific needs of users, and strive to improve their experience via integration of technology.
- ***Enhance performance of information infrastructure.*** We continue to enhance the security, operational performance and user-friendliness of the non-functional infrastructure of our business information systems. We have adopted dynamic management of standardized and customized modules that are utilized to establish the respective information infrastructure for our business lines, and continually upgrade and enrich the standardized modules to maximize synergy and connectivity among different business lines.
- ***Research in machine learning, AI and blockchain technology.*** We have increased our research efforts in machine learning, AI and blockchain technology, to aid us in further developing the information infrastructure of our business and enhancing the speed and flexibility of information processing in our information networks.
- ***Strengthen data safeguarding capabilities.*** In response to data privacy and protection requirements by local governments and the relevant laws and regulations, we continually develop and upgrade the data safeguarding capabilities of our information infrastructure. In particular, we continue to work on the best solutions in terms of version management of platforms, database sharing and big data analysis.

As of December 31, 2022, our research and development team had 210 personnel, with on average ten years of working experience in relevant fields. As of the same date, our research and development team comprised (i) 116 software development personnel with on average ten years of working experience, (ii) 36 testing and maintenance personnel with on average 12 years of working experience, and (iii) 58 other research and development personnel with on average 12 years of working experience. In 2020, 2021 and 2022, our research and development expenses were RMB66.8 million, RMB86.4 million and RMB79.0 million, respectively. For a breakdown of our research and development expenses, see “Financial Information – Consolidated Statements of Comprehensive Income – Research and Development Expenses.” We believe maintaining a dedicated and stable team of talents in research and development is crucial to the enhancement of our technology capabilities and our solutions. During the Track Record Period, the majority of our research and development expenses were attributable to employee benefits expenses and share-based compensation expenses.

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### COMPETITION

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

| Business line                              | Major types of competitors  |
|--|---|
| Cloud hospital platform services . . . . . | Healthcare IT solution providers, such as traditional IT solution companies with business footprint in the healthcare industry as well as specialized health-tech companies |
| Internet medical services . . . . .        | Digital medical services companies, such as online medical appointment-making and consultation platform companies and online prescription processing platform companies     |
| Health management services . . . . .       | Health management service companies, such as franchises of private health check-up companies and the health check-up departments of public hospitals                        |
| Smart healthcare products . . . . .        | Digital healthcare product companies, such as medical equipment companies and traditional IoT product companies with healthcare offering                                    |

We anticipate that the digital healthcare services market will continue to grow in response to rapid technological changes and innovation, rising health awareness, evolving industry standards and shifting customer preferences. We must continually innovate to remain competitive.

### AWARDS AND RECOGNITIONS

During the Track Record Period, we had received awards and recognitions for the quality of our services and products. Representative awards and recognitions are set forth below:

| Award/Recognition  | Award Year | Awarding Institution/Authority   |
|--|------------|--|
| The first batch of online and offline integrated digital business enterprises of the Ministry of Commerce (商務部首批線上線下融合數字商務企業). . . . . | 2020       | Ministry of Commerce (商務部)   |
| Excellent Software Products of 2020 (2020年度優秀軟件產品) . . . . .   | 2020       | China Software Industry Association (中國軟件行業協會)                                   |
| 2020 China Health Industry Innovation Award-Best Smart Medical Innovation Enterprise (2020中國大健康產業創新獎—最佳智慧醫療創新企業). . . . .              | 2020       | Tianfu Talkative Organizing Committee (天府健談組委會)                                  |
| Liaoning Medical and Health Big Data Engineering Research Center (遼寧省醫療健康大數據工程研究中心). . . . .   | 2019       | Liaoning Provincial Development and Reform Commission (遼寧省發改委)                   |
| China Smart Healthcare Innovation Achievement Award (中國智慧健康醫療創新成果獎) . . . . .  | 2019       | Chinese Society of Health Information and Healthcare Big Data (中國衛生信息與健康醫療大數據學會) |



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| Award/Recognition   | Award Year | Awarding Institution/Authority   |
|---|------------|--|
| New Type Information Consumption Demonstration Project of the Ministry of Industry and Information Technology (工信部新型信息消費示範項目) . . . . . | 2018       | Ministry of Industry and Information Technology (工業和信息化部)  |
| Smart Health Care Products and Services Promotion Catalog (《智慧健康養老產品及服務推廣目錄》). . . . .  | 2018       | Ministry of Industry and Information Technology, Ministry of Civil Affairs, National Health Commission (工業和信息化部、民政部、國家衛生健康委員會) |
| eHealth Champion Prize . . . . .  | 2017       | World Summit on the Information Society (信息社會世界峰會)   |

## SALES AND MARKETING

We believe that the most effective form of marketing is to continually enhance our user satisfaction, which can generate word-of-mouth referrals and encourage the utilization of our digital healthcare services. Particularly, our sales and marketing strategy is designed to enhance our brand recognition, promote our new and existing solutions, maintain our relationship with business partners and increase user traffic to our platforms.

Our sales and marketing team mainly focuses on expanding our customer base, and increasing customers' satisfaction with our solutions, as well as enhancing business operational efficiency.

We actively participate in large-scale marketing conferences and hold large-scale forums and seminars to expand our brand influence in the medical field. Our marketing campaigns are focused on online live broadcasts, health-related websites, frequently visited Internet portals, and social media to increase our exposure and develop potential customers. We also operate a comprehensive public relationship management system to enhance brand image by cooperating with media, properly handling complaints, and adopting crisis management. In addition, we offer business and product planning, and market operation services to our customers. As of December 31, 2022, our sales and marketing and operational support team comprised 380 experienced professionals.

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## BUSINESS

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### OUR CUSTOMERS

Our customers consist of individuals and institutions. As of December 31, 2020, 2021 and 2022, there were approximately 38.2 million, 43.7 million and 46.7 million registered users on our cloud hospital platforms, respectively. Meanwhile, our institutional customers include government agencies, medical institutions, insurers and corporations. The following table sets forth our major types of customers by business line:

| <u>Business line</u>                       | <u>Major types of customers</u>   |
|--|---|
| Cloud hospital platform services . . . . . | Local governments, medical institutions and insurers                            |
| Internet medical services . . . . .        | Individuals, medical institutions and corporations                              |
| Health management services . . . . .       | Corporations and individuals  |
| Smart healthcare products. . . . .         | Local governments, medical institutions, insurers, corporations and individuals |

For each year during the Track Record Period, our five largest customers accounted for 16.2%, 14.3% and 20.1% of our total revenue, respectively. For each year during the Track Record Period, our largest customer contributed 5.0%, 3.3% and 11.2% of our total revenue, respectively. Our five largest customers for each year during the Track Record Period, all of which are Independent Third Parties, primarily included local governments and medical institutions. We have been working with these customers for a period ranging from one to ten years, and the credit terms given to such customers were determined on a case-by-case basis and were typically within 90 days or otherwise based on the acceptance of our deliverables. Payments are generally made via bank transfers. For related risks, see "Risk Factors – Risks Relating to Our Business and Industry – We rely on business relationships with major customers and suppliers." In addition, during the Track Record Period, a major amount of our revenue from the cloud hospital platform services and smart healthcare products segment was from public sector customers. We focus on, and expect to continue to focus on, these customers in these segments. Accordingly, we are, and expect to continue to be, exposed to the risk of any payment delay from them. See "Risk Factors – Risks Relating to Our Business and Industry – We are subject to credit risk in respect of our trade receivables" and "Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables."

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The following table sets forth some details of our five largest customers for each year during the Track Record Period:

| Customer <sup>(1)</sup>  | Revenue                      | % of total<br>revenue | Principal<br>place of<br>business | Customer background  | Registered capital<br>(unless otherwise<br>indicated) |
|--------------------------|------------------------------|-----------------------|-----------------------------------|--|---|
|                          | <i>(RMB in<br/>millions)</i> |                       |                                   |  | <i>(RMB in<br/>millions)</i>                          |
| <b>Year ended</b>        |                              |                       |                                   |  |   |
| <b>December 31, 2020</b> |                              |                       |                                   |  |   |
| Customer A               | 25.2                         | 5.0                   | Italy                             | A company established in Italy, which engages in the distribution of medical devices | EUR80.0 million<br>(business scale of<br>2020)        |
| Customer B               | 23.9                         | 4.8                   | Liaoning<br>province              | A local branch of the PRC health administration                                      | N/A   |
| Customer C               | 13.4                         | 2.7                   | Liaoning<br>province              | A local branch of the PRC health administration                                      | N/A   |
| Customer D               | 9.9                          | 2.0                   | Sichuan<br>province               | A branch of a PRC company in the broadcasting business                               | N/A   |
| Customer E               | 8.8                          | 1.8                   | Liaoning<br>province              | A public hospital  | 396.4<br>(paid-in capital)                            |
| <b>Total</b>             | <b><u>81.3</u></b>           | <b><u>16.2</u></b>    |                                   |  |   |
| <b>Year ended</b>        |                              |                       |                                   |  |   |
| <b>December 31, 2021</b> |                              |                       |                                   |  |   |
| Customer F               | 20.5                         | 3.3                   | Shaanxi<br>province               | A public hospital  | 2,678.4<br>(paid-in capital)                          |
| Customer G               | 19.8                         | 3.2                   | Liaoning<br>province              | A public hospital  | 36.3  |
| Customer H               | 19.2                         | 3.1                   | Heilongjiang<br>province          | A local branch of a state-owned telecommunications company                           | N/A   |
| Customer I               | 15.0                         | 2.4                   | Liaoning<br>province              | A public hospital  | 480.0   |
| Customer E               | 13.9                         | 2.3                   | Liaoning<br>province              | A public hospital  | 396.4<br>(paid-in capital)                            |
| <b>Total</b>             | <b><u>88.5</u></b>           | <b><u>14.3</u></b>    |                                   |  |   |

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| Customer <sup>(1)</sup> | Revenue                      | % of total<br>revenue | Principal<br>place of<br>business | Customer background   | Registered capital<br>(unless otherwise<br>indicated) |
|-------------------------|------------------------------|-----------------------|-----------------------------------|---|---|
|                         | <i>(RMB in<br/>millions)</i> |                       |                                   |   | <i>(RMB in<br/>millions)</i>                          |
| <b>Year ended</b>       |                              |                       |                                   |   |   |
| <b>December 31,</b>     |                              |                       |                                   |   |   |
| <b>2022</b>             |                              |                       |                                   |   |   |
| Customer J              | 76.7                         | 11.2                  | Shanxi<br>province                | A public hospital   | 33.5<br>(paid-in capital)                             |
| Customer F              | 20.8                         | 3.0                   | Shaanxi<br>province               | A public hospital   | 2,678.4<br>(paid-in capital)                          |
| Customer E              | 15.4                         | 2.2                   | Liaoning<br>province              | A public hospital   | 396.4<br>(paid-in capital)                            |
| Customer K              | 15.0                         | 2.2                   | Shanghai                          | A company established in<br>Shanghai, which engages in<br>financial leasing | 2,500.0   |
| Customer L              | 10.4                         | 1.5                   | Shanxi<br>province                | A public hospital   | 2,678.4<br>(paid-in capital)                          |
| <b>Total</b>            | <b><u>138.4</u></b>          | <b><u>20.1</u></b>    |                                   |   |   |

<sup>(1)</sup> The identities of our top five customers are presented in code names as of the Latest Practicable Date. As we had not acquired consent from these customers as of the Latest Practicable Date, unauthorized disclosure may cause potential disputes.

None of our Directors and, to the knowledge of our Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital has any interests in any of our five largest customers as of the Latest Practicable Date, except that a Shareholder holding more than 5% of our issued share capital as an insurance company may invest in A share-listed companies including Neusoft Corporation or otherwise disclosed in “History, Reorganization and Corporate Structure – Corporate Structure.”

### *Customer Support and Services*

We have a team of professional customer support personnel, and we are committed to providing convenient, efficient and quality service experience for our customers.

For our smart healthcare products, in particular, we analyze feedback from our customers and handle any customer complaints with respect to the quality of such products. Quality complaints, both verbal and written, are documented and investigated pursuant to standard procedures. We have also dedicated employees responsible for responding to complaint calls. If any product falls short of the relevant quality standards, we will replace the defective product at our own cost. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns or product liability claims.

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## BUSINESS

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### *Project Tender and Bidding*

During the Track Record Period, some of our customers in the cloud hospital platform services segment selected their suppliers through a tender process. These customers, mainly public hospitals and local governments, may publish information on the tender process on their official websites or local public tender websites. Published information typically includes details of the tender projects, the procurement cycle, basic conditions that the suppliers must meet and certain technical and product requirements. Throughout the tender process, we strictly follow the applicable laws and regulations as well as the requirements of the customers. The customers may invite experts in relevant fields to review and evaluate the tendering suppliers. The identity of winners will usually be published on the customers' official websites or local public tender websites. If we win the tender, we will enter into project agreements with the customers and duly discharge our obligations under these agreements. In 2020, 2021 and 2022, our tender success rate with local governments to provide cloud hospital platform services was 83%, 83% and 89%, respectively, and during the same years, that with medical institutions was 81%, 86% and 97%, respectively.

### **OUR SUPPLIERS**

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

| <u>Business line</u>                       | <u>Major types of suppliers</u>  |
|--|--|
| Cloud hospital platform services . . . . . | IDC service providers, providers of terminal software and hardware equipment, system integration service providers and network service providers |
| Internet medical services . . . . .        | Medical professionals and pharmaceutical companies   |
| Health management services . . . . .       | Medical equipment manufacturers, test kit producers and medical specimen delivery companies  |
| Smart healthcare products. . . . .         | Medical equipment manufacturers  |

For each year during the Track Record Period, purchases from our five largest suppliers accounted for 41.2%, 33.5% and 34.0%, respectively, of our total purchases. For each year during the Track Record Period, purchases from our single largest supplier accounted for 15.7%, 14.3% and 15.9%, respectively, of our total purchases. In 2020, 2021 and 2022, Neusoft Corporation was among our five largest suppliers, accounting for 4.0%, 3.4% and 2.7% of our total purchases, respectively. Our other five largest suppliers for each year during the Track Record Period, all of which are Independent Third Parties, primarily included medical equipment manufacturers and a pharmaceutical company. We have been working with these suppliers for a period of up to nine years, and we typically made payments via bank transfers within 60 days after receipt of invoice or based on the completion of milestones of the relevant project schedules. For related risks, see "Risk Factors – Risks Relating to Our Business and Industry – We rely on business relationships with major customers and suppliers."

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The following table sets forth some details of our five largest suppliers for each year during the Track Record Period:

| Supplier <sup>(1)</sup> | Purchase amount          | % of total purchase amount | Products/ services received by us                  | Principal place of business | Supplier background   | Registered capital       |
|-------------------------|--------------------------|----------------------------|--|-----------------------------|---|--------------------------|
|                         | <i>(RMB in millions)</i> |                            |  |                             |   | <i>(RMB in millions)</i> |
| <b>Year ended</b>       |                          |                            |  |                             |   |                          |
| <b>December 31,</b>     |                          |                            |  |                             |   |                          |
| <b>2020</b>             |                          |                            |  |                             |   |                          |
| Supplier A              | 49.6                     | 15.7                       | Medical devices                                    | Hebei province              | A limited liability company established in the PRC, which engages in the manufacture and sales of medical devices | 401.8                    |
| Supplier B              | 39.5                     | 12.5                       | Pharmaceuticals                                    | Zhejiang province           | A limited liability company established in the PRC, which engages in the sales of pharmaceuticals                 | 47.0                     |
| Supplier C              | 14.9                     | 4.7                        | Medical devices                                    | Hebei province              | A limited liability company established in the PRC, which engages in the manufacture and sales of medical devices | 54.2                     |
| Supplier D              | 13.6                     | 4.3                        | Medical software development services and hardware | Liaoning province           | A limited liability company established in the PRC, which engages in the development of software and hardware     | 3.0                      |
| Neusoft Corporation     | 12.7                     | 4.0                        | Lease and software systems                         | Liaoning province           | A large-scale service provider in healthcare solutions and data technology in the PRC                             | 1,242.3                  |
| <b>Total</b>            | <b><u>130.3</u></b>      | <b><u>41.2</u></b>         |  |                             |   |                          |

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| <b>Supplier<sup>(1)</sup></b>       | <b>Purchase amount</b>   | <b>% of total purchase amount</b> | <b>Products/ service received by us</b> | <b>Principal place of business</b> | <b>Supplier background</b>  | <b>Registered capital</b> |
|-------------------------------------|--------------------------|-----------------------------------|---|------------------------------------|---|---------------------------|
|                                     | <i>(RMB in millions)</i> |                                   |   |                                    |   | <i>(RMB in millions)</i>  |
| <b>Year ended December 31, 2021</b> |                          |                                   |   |                                    |   |                           |
| Supplier B                          | 65.2                     | 14.3                              | Pharmaceuticals                         | Zhejiang province                  | A limited liability company established in the PRC, which engages in the sales of pharmaceuticals                 | 47.0                      |
| Supplier E                          | 37.2                     | 8.2                               | Medical devices                         | Liaoning province                  | A limited liability company established in the PRC, which engages in the sales of medical devices                 | 2.0                       |
| Supplier A                          | 19.9                     | 4.4                               | Medical devices                         | Hebei province                     | A limited liability company established in the PRC, which engages in the manufacture and sales of medical devices | 401.8                     |
| Neusoft Corporation                 | 15.7                     | 3.4                               | Lease and software systems              | Liaoning province                  | A large-scale service provider in healthcare solutions and data technology in the PRC                             | 1,242.3                   |
| Supplier F                          | 14.3                     | 3.2                               | Medical devices                         | Guangdong province                 | A limited liability company established in the PRC, which engages in the sales of medical devices                 | 62.5                      |
| <b>Total</b>                        | <b>152.2</b>             | <b>33.5</b>                       |   |                                    |   |                           |

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| Supplier <sup>(1)</sup>             | Purchase amount          | % of total purchase amount | Products/ service received by us | Principal place of business | Supplier background   | Registered capital       |
|-------------------------------------|--------------------------|----------------------------|----------------------------------|-----------------------------|---|--------------------------|
|                                     | <i>(RMB in millions)</i> |                            |                                  |                             |   | <i>(RMB in millions)</i> |
| <b>Year ended December 31, 2022</b> |                          |                            |                                  |                             |   |                          |
| Supplier B                          | 83.8                     | 15.9                       | Pharmaceuticals                  | Zhejiang province           | A limited liability company established in the PRC, which engages in the sales of pharmaceuticals                 | 47.0                     |
| Supplier G                          | 29.7                     | 5.6                        | Medical devices                  | Shanxi province             | A limited liability company established in the PRC, which engages in the manufacture and sales of medical devices | 15.0                     |
| Supplier H                          | 26.2                     | 5.0                        | Medical devices                  | Jiangsu province            | A limited liability company established in the PRC, which engages in the sales of medical devices                 | 10.0                     |
| Supplier E                          | 25.1                     | 4.8                        | Medical devices                  | Liaoning province           | A limited liability company established in the PRC, which engages in the sales of medical devices                 | 2.0                      |
| Neusoft Corporation                 | 14.3                     | 2.7                        | Lease and software systems       | Liaoning province           | A large-scale service provider in healthcare solutions and data technology in the PRC                             | 1,242.3                  |
| <b>Total</b>                        | <b><u>179.1</u></b>      | <b><u>34.0</u></b>         |                                  |                             |   |                          |

<sup>(1)</sup> The identities of our top five suppliers are presented in code names as of the Latest Practicable Date. As we had not acquired consent from these suppliers as of the Latest Practicable Date, unauthorized disclosure may cause potential disputes.

None of our Directors and, to the knowledge of our Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital has any interests in any of our five largest suppliers as of the Latest Practicable Date, except that a Shareholder holding more than 5% of our issued share capital as an insurance company may invest in A share-listed companies including Neusoft Corporation, or otherwise disclosed in “History, Reorganization and Corporate Structure – Corporate Structure.”



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### *Manufacturing*

With respect to our All-in-One Healthcare Devices as part of our smart healthcare products, we purchase raw materials, install our software systems and assemble them into goods for sale. Our manufacturing processes are in compliance with ISO 13485, the quality system regulations mandated by applicable rules and regulations for medical devices, and NMPA regulatory requirements on medical devices as we hold the relevant registration certificates for the medical devices and production permits for manufacturing medical devices issued by local branches of the NMPA.

### *Raw Materials and Inventory*

For the production of our All-in-One Healthcare Devices, our principal raw materials are all-in-one machines and software systems. The procurement of our raw materials is driven by demand for our smart healthcare products and depends on supply cycles. We primarily use a limited number of quality suppliers for our principal raw materials. As of the Latest Practicable Date, we had two major suppliers for our principal raw materials in China, from which we purchased on an as-needed basis.

Our raw materials are typically not subject to expiration, except for perishable test kits such as blood glucose test strips with a 24-month effective period. We store our inventories primarily in our warehouses in Shenyang, China. Our products are sold on a first-in-first-out basis. To minimize the risk of building up inventory, we regularly review our inventory levels. We also carry out physical stock counts and stock inspections from time to time to identify damaged products or obsolete or about-to-expire products, which are disposed of or for which provisions are made. Our procurement department manages our inventory levels by monitoring in real time our manufacturers' production activities and our sales orders, and also taking into consideration any emerging trends through discussions with our sales and marketing department. We develop and update production and inventory plans based on demand from our sales contracts, and place orders with manufacturers or raw material suppliers for products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of inventory.

### *Quality Control*

We have a quality control team that focuses on the establishment, implementation and maintenance of our quality control system, as well as monitoring the development, production, transportation and inventory management in real time to ensure compliance with the applicable regulatory and industry requirements.

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Our quality control team and our warehouse personnel take responsibility and collaborate to help ensure the quality of our inventory of raw materials and products. The quality control team is in charge of inspecting and examining raw materials and products before they are accepted as inventory. The warehouse personnel are responsible for recording the inventory to ensure the traceability of our raw materials and products, the regular storage, maintenance and inspection of the inventory and warehouse maintenance. Designated warehouse personnel inspect the inventory on a regular basis according to the required storage and maintenance conditions of relevant inventory.

### HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. We evaluate the risks involved in the workplace and operations, and take measures to eliminate or reduce such risks. For example, in order to effectively prevent, timely contain and reduce the harm against employees and workplace by the COVID-19 pandemic, we established an emergency team in charge of preparation and management in aspects of human resources, technology, supplies and equipment in times of emergency. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

### ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We continually pay close attention to the work of environmental, social and corporate governance (“ESG”) and the integration of such work into our daily operations. We acknowledge our responsibilities on environmental protection and social responsibilities and believe that ESG is essential to our sustainable business development. We are in the process of establishing an ESG policy (the “ESG Policy”) incorporating the following aspects: (i) the appropriate risk governance on ESG matters, including environmental, social and climate-related risks; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governance structure; (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators (“KPIs”), the relevant measurements and mitigating measures. Our Board will have overall responsibility for reviewing, approving and adopting the ESG Policy, targets and strategies of our Group, overseeing the implementation of the ESG Policy, revising the ESG overall strategies as appropriate and managing other material ESG-related matters.

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We are in the process of establishing an ESG working group at the management level. Our ESG working group is expected to be led by our CEO. Our ESG working group is expected to meet and report to the Board semiannually. Under the supervision of our Board, the ESG working group is tasked with the following:

- formulating, reviewing and implementing the ESG policies, the short, medium and long-term ESG targets and strategies to be approved by the Board;
- integrating the ESG Policy with into daily business operation;
- identifying, assessing and reporting environmental and social risks and opportunities to the Board;
- preparing the annual ESG reports to be reviewed by the Board;
- monitoring the ESG performance of our subsidiaries regularly;
- supervising and reviewing our corporate social responsibility and sustainable development policies, practices, frameworks and management guidelines, and providing suggestions for improvement; and
- reviewing our public announcements, disclosures and releases on our corporate social responsibility and sustainable development performance.

Understanding stakeholder views and opinions is crucial to our management on environmental and social issues. Therefore, we plan to set up a range of communication channels for engaging stakeholders and thus facilitating mutual communications. As a result, our Directors will be able to review issues that are material to the stakeholders, monitor the impacts of our environmental and social performance, and make business decisions from a more comprehensive perspective.

### **Strategies in Addressing ESG-related Risks**

We plan to conduct a risk assessment once a year to cover the current and potential ESG-related risks faced by our Group, including, but not limited to, the risks arising from ESG aspects and strategic risk around disruptive forces such as climate change. Our Board is expected to assess the overall risks and review our Group's existing strategy, targets and internal controls, and necessary improvement shall be implemented to mitigate the relevant risks. Our Board and the ESG working group shall maintain oversight of our Group's approach to risk management, including climate-related risks, and risks shall be monitored as part of the standard operating processes to ensure the appropriate mitigations are in place as part of regular management reviews. If risk and opportunities are considered to be material, we shall make reference to them in the course of the strategy and financial planning process. Upon periodic review of ESG-related risks, and our Group's performance in addressing the risks, we shall revise and adjust the ESG strategies as appropriate.

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## BUSINESS

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### ESG Policy

We believe that our future growth is based on the integration of social values into our business. We are committed to working on the environmental, health and safety, employment and community issues that our operations affect, and to working with our stakeholders to promote sustainable development in the industry in which we operate. We undertake all reasonable efforts to ensure compliance with all applicable national and local safety, health, labor and environmental obligations.

In particular, we endeavor to apply all the following measures as part of our environmental policies: (i) continuously design and implement effective and measurable energy management measures; (ii) promote recycling schemes, seek alternative ways of disposing of and reducing waste in environmentally friendly ways, and re-use materials whenever possible; and (iii) review and seek continual improvement on the implementation of environmental management, among other things.

We intend to implement the following measures as part of our social policies: (i) provide equal opportunities in all aspects of employment, including gender, race, nationality, marital status, disability, religious belief, sexual orientation or any other characteristic protected under the law; (ii) encourage our employees to constantly improve their skills and abilities and develop competencies through the taking up of both internal and external training programs; (iii) offer promotion and job opportunities to existing employees and suitable candidates, with selection being based on assessment of work performance of all individuals on merit, qualifications and abilities, and suitability for the position; (iv) protect and respect intellectual property; (v) prohibit all employees from offering or providing corrupt payments and other advantages to or accepting the same from private persons and entities; and (vi) prohibit all employees from giving, promising, offering, or authorizing payment of anything of value to any government official to obtain or retain business, to secure some other improper advantage, or to improperly influence a government official's actions.

### Social Responsibility

We are committed to social responsibility and high standards of corporate governance.

We pay close attention to fulfilling our social responsibilities. In particular, we empower participants in the healthcare system with our solutions to address the pain points present in the PRC healthcare services industry, namely scarcity and uneven distribution of quality medical resources, poor healthcare service experience for patients and potential deficit of social medical insurance. For example, our cloud hospital platforms help local governments build healthier cities that allow equitable access to quality medical resources by residents while increasing the efficiency of healthcare spending. We also empower medical institutions to provide convenient and diversified services to patients. For details, see “– Our Value Propositions.” In particular, during the COVID-19 outbreaks, we proactively fulfilled our social responsibilities by launching fever clinic online consultation services to the public, which enabled medical professionals within our platform networks to provide convenient and free of charge online consultations to residents in relation to COVID-19. Meanwhile, we are committed to protecting patients' personal information and privacy. We have established and implemented strict policies and mechanisms on data aggregation and processing. For details, see “– Data Privacy and Protection.”

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In order to mitigate and manage potential social risks and impacts, we plan to formulate a series of measures and policies:

In terms of equal opportunities, we believe our employees are an integral part of our business and we seek to provide equal opportunities to our employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Our employees shall not be discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, color, sexual orientation, age, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws and regulations. We value cultural diversity in the workplace, and shall recruit employees across a wide range of ages, genders and ethnicities. We will strictly abide by the relevant laws and regulations, including, but not limited to, the Labor Law of the PRC and the Labor Contract Law of the PRC.

In terms of development and training, we acknowledge the importance of providing opportunities for development and training to our employees. It is not only essential to the career development of our employees but also ensures and improves the quality of our service offerings. Our training programs are customized to our business needs, equipping our employees with practical knowledge and skills.

In terms of compensation and benefits, the remuneration package for our employees generally includes base salary and bonuses. We determine employee base salary based on factors such as titles, qualifications and experience. The bonus is primarily subject to our regular internal review. We also provide our employees with paid time off, including public holidays, marital leaves, maternity leaves, compassionate leaves and annual leaves according to labor laws and regulations. Employees who meet certain criteria will have their salary raised. We offer our employees a competitive remuneration package which takes into account both external and internal salary benchmarks. Our remuneration structure is annually reviewed so as to ensure that competitive remuneration is offered to our employees.

In terms of prevention of corruption and fraudulent activities, we value business integrity and prohibit fraud, bribery and other corrupt practices, and have designed anti-bribery compliance risk control measures as part of our regulatory compliance management system. We require our employees to conduct business legally and ethically. In addition, we have set up an anti-bribery reporting hotline and all reports received are required to be transferred to an independent department for further investigation.

### **Environmental Protection**

Our business operations are subject to the relevant environmental protection laws and regulations promulgated by the PRC government, a summary of which is set out in the section headed "Regulatory Overview – Regulations on Environmental Protection Related to Medical Institutions" in this document. Given the nature of our business, we believe that our operational activities do not significantly pose negative impact on the environment and we are not aware of any material environmental liability risk or compliance costs arising during the Track Record Period and up to the Latest Practicable Date. Additionally, we do not expect to incur significant costs for compliance with applicable environmental protection rules and regulations in the future.

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## BUSINESS

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### *Measures to Reduce Our Environmental Footprint*

As a supporter of environmental protection, we shall comply with all applicable environmental laws and regulations and continuously try to reduce our environmental footprint. We strictly implement classification management for treating medical waste. According to the Medical Waste Classification Catalogue (《醫療廢物分類目錄》) promulgated by the NHC, which helps to standardize storage, collection, handover, transportation and recycling and disposal of medical waste for the safe and effective management of such waste. Medical waste generally can be classified into infectious waste, damaged waste, chemical waste, pathological waste and pharmaceutical waste. Improper management of medical waste poses risks to the environment and safety and health of our staff, patients and local communities. For the year ended December 31, 2022, the total medical waste and average medical waste per service of our self-owned medical institutions was 37.4 tons and 0.08 kilograms, respectively. Taking 2022 as the baseline year, we target to reduce the average medical waste per service of our self-owned medical institutions by 2% to 5% by 2028. We have designated specialized personnel for supervising medical waste transportation and treatment. We also plan to continually conduct training on legal expertise and professional techniques, safety protection and emergency response for employees. For non-hazardous waste, we intend to adopt various measures centered on sustainable waste management, and actively respond to the national initiatives and requirements for the waste classification system by encouraging employees to reduce, recycle, reuse and classify such waste. In addition, we plan to constantly raise the awareness of environmental protection among our employees, and take account of the resources and materials we use in daily operations. We also intend to continually improve our waste management procedures and promote recycling scheme, seek alternative ways of disposing of and reducing waste in environment friendly ways and in accordance with relevant rules and regulations, and re-use materials whenever possible.

### *Concern about Our Scope 3 Emissions*

Emissions from suppliers are counted as scope 3 emissions in ESG disclosures. Our suppliers include medical professionals, pharmaceutical companies, and medical equipment manufacturers. As scope 3 emissions tend to be reported voluntarily to avoid double counting, our impact on climate change can be heavily underestimated. To mitigate our impact through our suppliers, the following actions are expected to be taken in the future:

- Actively research the carbon footprint of our suppliers. When screening new service providers in the future, low carbon will be our top priority criteria;
- Try to calculate the footprint of our suppliers and remind them to manage their footprint; and
- Upgrade our technology infrastructure to produce a smaller environmental footprint.

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### *Environmental Performance*

We are committed to the coexistence of corporate values and environmental protection. We promptly promote the green management philosophy and spread the concept of green development. As of December 31, 2022, we had a chain of ten self-owned medical institutions with an average gross floor area of 3,000 square meters and an average of 50 to 70 employees in nine cities. We believe that the business operation of our self-owned medical institutions did not have any significant impact on the environment and natural resources during the Track Record Period and up to the Latest Practicable Date.

The following tables set forth the water and electricity consumption of our self-owned medical institutions in 2022:

|   | <u>Year ended<br/>December 31, 2022</u> |
|---|---|
| Water consumption (m <sup>3</sup> ) . . . . . | 14,142.0                                |
| Electricity consumption (MWh) . . . . .       | 2,291.5                                 |

### *Targets*

| <u>Strategies</u>                 | <u>Approaches</u>  | <u>Targets for the next five years</u>   |
|-----------------------------------|--|--|
| Water consumption reduction       | Reduce water consumption by improving water-saving methods in our operations             | Reduce water consumption by 5% of our self-owned medical institutions based on consumption in 2022       |
| Electricity consumption reduction | Reduce electricity consumption by improving electricity-saving methods in our operations | Reduce electricity consumption by 5% of our self-owned medical institutions based on consumption in 2022 |

### *Plans and Measures to Achieve the Consumption Reduction*

We intend to further reduce our water and electricity consumption in the foreseeable future through various workspace policies and measures. We expect to continue to promote green and low-carbon self-owned medical institutions by implementing green environment concepts, vigorously promoting online offices and implementing the transformation to an intelligent operational model. Meanwhile, we are also committed to increasing environmental protection and energy-saving design in our self-owned medical institutions.

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## BUSINESS

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In addition, we intend to implement the plan of water and electricity consumption reduction through the following measures: (i) establishing policy for energy saving and assigning specific personnel to implement energy saving policy; (ii) conducting regular water pipe leak testing to avoid potential water wastage; (iii) arranging workers to fix dripping taps in a timely manner; (iv) putting up water saving posters and reminders to remind everyone in the self-owned medical institutions to turn off the faucet completely after use; and (v) arranging a security team to turn off lights according to set schedules.

## INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, we had registered 35 and applied for 13 patents, and registered 273 and applied for four trademarks in the PRC. As of the same date, we had registered 123 software copyrights, nine art copyrights and 20 domain names in China. As of the same date, we have applied for four trademarks in Hong Kong. See “Appendix IV – Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights.”

We had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period and up to the Latest Practicable Date.

## EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. The following table sets forth a breakdown of our employees by business function as of December 31, 2022:

|   | <b>Number of<br/>Employees</b> | <b>Percentage</b> |
|---|--------------------------------|-------------------|
| Management and administration . . . . .               | 181                            | 15.0%             |
| Sales and marketing and operational support . . . . . | 380                            | 32.0%             |
| Research and development . . . . .                    | 210                            | 18.0%             |
| Health management . . . . .                           | 423                            | 35.0%             |
| <b>Total . . . . .</b>                                | <b>1,194</b>                   | <b>100.0%</b>     |

As of December 31, 2022, substantially all of our employees were in China. As of the same date, 675 employees had bachelor’s degrees or above, accounting for 56.5% of our total employees.



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

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

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

### INSURANCE

In relation to online consultation services, we carry professional liability insurance covering a maximum of RMB300,000 per patient per claim for doctors rendering the services. In relation to Internet home care services for nurses rendering the services, we carry professional liability insurance covering a maximum of RMB350,000 per patient per claim. We annually renew our professional liability insurance.

We do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key-man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements.

During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims in relation to our business.

### PROPERTIES

Our corporate headquarter is located at Room 2070, Building 2, Lane 1800, Xinyang Road Pilot Free Trade Zone Lin-Gang Special Area Shanghai, China. As of the Latest Practicable Date, we leased 27 properties in the PRC, with an aggregate gross floor area of approximately 34,883 square meters. Our leased properties in the PRC are primarily used for business and office purposes. The relevant lease agreements have lease expiration dates ranging from 2023 to 2040. Our landlords had obtained the relevant property ownership certificates for our leased properties in the PRC. As of the Latest Practicable Date, we had not filed all of our lease agreements for the properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements, but

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the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so within the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease, and from RMB27,000 to RMB270,000 for all non-registered leases in aggregate. For risks relating to our leased properties, see "Risk Factors – Risks Relating to Our Business and Industry – We may face penalties for the non-registration of our lease agreements in China, and challenges from third parties or government authorities of our certain leased properties in China may force us to relocate and thus incur additional cost." We did not own any properties in the PRC.

As of December 31, 2022, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

### PERMITS, LICENSES AND APPROVALS

During the Track Record Period and as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China, except as stated below. We renew all such permits and licenses from time to time to comply with the relevant laws and regulations. Our PRC Legal Advisor has advised us that, to their best knowledge, there is no material legal impediment to renewing such permits or licenses, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedules prescribed by the applicable laws and regulations of the PRC.

Xikang Information provides Internet Pharmaceutical Transaction Services as a third-party platform, offering certain services, such as deal matching and information display to enable two or more parties to carry out Internet pharmaceutical transaction activities on such platform. According to Interim Provisions on the Examination and Approval of Internet Pharmaceutical Transaction Services (《互聯網藥品交易服務審批暫行規定》), promulgated by the CFDA on September 29, 2005 and effective since December 1, 2005, enterprises engaging in Internet pharmaceutical transaction services shall obtain the Qualification Certificate for Providing Internet Pharmaceutical Transaction Services (互聯網藥品交易服務機構資格證書). However, pursuant to relevant decisions issued by the State Counsel, the administrative approval process to approve a new Qualification Certificates for Providing Internet Pharmaceutical Transaction Services has been cancelled since 2017. According to a telephone consultation conducted by our PRC Legal Advisor and the PRC legal advisor of the Sole Sponsor with the relevant officer of the Beijing Municipal Medical Products Administration (北京市藥品監督管理局), (i) any application for new Qualification Certificate for Providing Internet Pharmaceutical Transaction Services is no longer accepted by Beijing Municipal Medical Products Administration under current regulations; (ii) although Xikang Information does not hold the Qualification Certificate for Providing Internet Pharmaceutical

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Transaction Services, it may provide individual customers and pharmacies with Internet Pharmaceutical Transaction Services as a third-party platform, given that it holds an effective Qualification Certificate for Providing Internet Pharmaceutical Information Services (for-profit services) and has filed a form of third-party platform providing service for online pharmaceutical transactions to the Second Branch of the Beijing Municipal Drug Administration in accordance with the Notice of the Beijing Municipal Drug Administration on Strengthening the Administration of Online Pharmaceutical Transactions during the Pandemic Period (《北京市藥品監督管理局關於加強疫情期間藥品網絡銷售管理工作的通知》)(京藥監發[2021]22號) (“Notice 22”); and (iii) Beijing Municipal Medical Products Administration will not impose any penalties on Xikang Information for its lack of Qualification Certificate for Providing Internet Pharmaceutical Transaction Services.

Moreover, according to the new Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and the Regulations for the Implementation of the Drug Administration Law (《藥品管理法實施條例》), the administrative measures for Internet pharmaceutical transaction services are to be formulated by the NMPA together with other relevant departments under the State Council. According to a telephone consultation conducted by our PRC Legal Advisor and the PRC legal advisor of the Sole Sponsor with the relevant officer of the Beijing Municipal Medical Products Administration (北京市藥品監督管理局), there are no detailed rules yet promulgated on Internet pharmaceutical transaction platform services either by the state government authorities or Beijing government authorities to clarify the qualifications that shall be obtained by third-party platforms engaging in online pharmaceutical transaction services, except for the Drug Administrative Law of the PRC and the Notice 22. Our PRC Legal Advisor has confirmed that the officer consulted from the Beijing Municipal Medical Products Administration (北京市藥品監督管理局) is competent and can represent the Beijing Municipal Medical Products Administration (北京市藥品監督管理局) to provide the above confirmations regarding the Qualification Certificate for Providing Internet Pharmaceutical Transaction Services and relevant laws and regulations.

Based on the above, there is currently no access for Xikang Information to apply for the Qualification Certificate for Providing Internet Pharmaceutical Transaction Services and therefore Xikang Information does not hold such certificate. Nevertheless, Xikang Information may continue to provide Internet Pharmaceutical Transaction Services as a third-party platform. Once any specific measures for online pharmaceutical transaction services is promulgated, we will timely apply for applicable licenses or permits for online pharmaceutical transaction services in accordance with such measures, if applicable.

We have established regulatory compliance management policies stipulating internal control measures in response to changes in laws and regulations. We have appointed dedicated compliance personnel to maintain close communications with external supervisory authorities to keep track of the latest developments in laws and regulations, as well as the understanding and implementation of relevant laws and regulations. In addition, our compliance personnel closely monitor the application and renewal of licenses, approvals and permits in a timely manner. Under their supervision, we shall prepare application materials and arrange submissions to the relevant regulatory authorities.

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

| Entity   | Name of the License,<br>Approval and Permit  | Expiry Date       |
|--|--|-------------------|
| Beijing Neusoft Xikang Information Technology Co., Ltd. (北京東軟熙康信息技術有限公司) . . . . .         | Permit for Operation of Value-Added Telecommunication Business (增值電信業務經營許可證(ICP證))                   | October 21, 2025  |
| Beijing Neusoft Xikang Information Technology Co., Ltd. (北京東軟熙康信息技術有限公司) . . . . .         | Permit for Operation of Value-Added Telecommunication Business (增值電信業務經營許可證(EDI證))                   | April 27, 2026    |
| Beijing Neusoft Xikang Information Technology Co., Ltd. (北京東軟熙康信息技術有限公司) . . . . .         | Internet Drug Information Service Qualification Certificate (互聯網藥品信息服務資格證書)                          | November 6, 2023  |
| Neusoft Xikang Health Technology Co., Ltd. (東軟熙康健康科技有限公司) . . . . .                        | High-Tech Enterprise Certification (高新技術企業證書)  | November 15, 2025 |
| Neusoft Xikang Health Technology Co., Ltd. (東軟熙康健康科技有限公司) . . . . .                        | Recordation Certificate for Business Activities Involving Class II Medical Devices (第二類醫療器械經營備案許可憑證) | December 7, 2025  |
| Neusoft Xikang Health Technology Co., Ltd. (東軟熙康健康科技有限公司) . . . . .                        | Business License for Medical Devices of Class III Medical Devices (第三類醫療器械經營許可證)                     | December 7, 2025  |
| Shenyang Neusoft Xikang Medical System Co., Ltd. (瀋陽東軟熙康醫療系統有限公司) . . . . .                | Software Enterprise Certificate (軟件企業證書)   | August 27, 2023   |
| Shenyang Neusoft Xikang Medical System Co., Ltd. (瀋陽東軟熙康醫療系統有限公司) . . . . .                | Recordation Certificate for Business Activities Involving Class II Medical Devices (第二類醫療器械經營備案許可憑證) | June 9, 2025      |
| Shenyang Neusoft Xikang Medical System Co., Ltd. (瀋陽東軟熙康醫療系統有限公司) . . . . .                | Business License for Medical Devices of Class III Medical Devices (第三類醫療器械經營許可證)                     | August 2, 2027    |
| Shenyang Neusoft Xikang Medical System Co., Ltd. (瀋陽東軟熙康醫療系統有限公司) . . . . .                | Production and Business Operation License for Medical Devices (醫療器械生產許可證)                            | July 24, 2027     |
| Ningbo Cloud Hospital Co., Ltd. (寧波雲醫院有限公司). . . . .                                       | Recordation Certificate for Business Activities Involving Class II Medical Devices (第二類醫療器械經營備案許可憑證) | April 1, 2024     |
| Neusoft Xikang (Ningbo) Smart Wearable Equipment Co., Ltd. (東軟熙康(寧波)智能可穿戴設備有限公司) . . . . . | Recordation Certificate for Business Activities Involving Class II Medical Devices (第二類醫療器械經營備案許可憑證) | September 9, 2026 |
| Shenyang Xikang Cloud Hospital Co., Ltd. (瀋陽熙康雲醫院有限公司). . . . .                            | Recordation Certificate for Business Activities Involving Class II Medical Devices (第二類醫療器械經營備案許可憑證) | July 29, 2025     |

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### LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

#### Legal Proceedings

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

#### Regulatory Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

### RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE CULTURE

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continually improving these systems.

We continually improve our internal control system and conduct our business in compliance with our established internal control system. We evaluate the operation of our internal control system routinely, and categorize the potential defects identified in the evaluation into high, medium and low levels based on the impact of the defects and determine the rectification time accordingly.

We have been committed to promoting compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for our management and operations, including the establishment of such mechanisms. Our Directors will be involved in the formulation of the mechanisms and related policies.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as healthcare quality and safety, operational and regulatory risk management.

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### Healthcare Quality and Safety

We focus on providing professional healthcare services, and therefore the quality and safety of the care delivered is the lifeline of our business. We have established comprehensive risk management systems and internal control procedures to minimize medical risks arising from our operations. During the Track Record Period and up to the Latest Practicable Date, we did not receive any written notice or penalty for material non-compliance or violation of healthcare quality and safety laws or regulations.

We have adopted stringent procedures to manage quality and safety of care delivery on our platforms, and designated special medical quality control personnel to oversee matters relating to quality of Internet home care services, medical security management, infection controls, medical oversight, medical incident and medical disputes. We perform stringent screening of the qualifications of medical professionals that provide healthcare services over our platforms, strictly monitor the medical processes, activities and results of the relevant services rendered, and closely manage the medical supplies and waste involved in the provision of our Internet home care services. We also carry professional liability insurance covering the medical professionals serving on our platforms. See “– Insurance.”

We offer pre-job training for new employees to raise their awareness of healthcare quality and safety, and provide continuous training on a periodic or *ad hoc* basis for medical personnel with respect to quality control, healthcare safety, professional ethics and legal awareness. In addition, we have established a healthcare service quality assessment mechanism that supervises all processes of the healthcare activities over our platforms.

For the Internet medical services:

- **Online consultations.** Only doctors who meet the required conditions and obtain our approval are qualified to carry out online consultation services. Suspension of services will be triggered if the doctor receives a certain number of complaints, violates relevant public health laws or regulations, or gets involved in material medical disputes for his or her misconduct.
- **EMR management.** We have established an EMR information security and confidentiality system by setting up different levels of access and modification authority and imposing varied time limits for reviewing and modifying EMRs. No individual or entity shall view or make copies of the EMRs without express authorization.
- **E-prescription management.** E-prescriptions must be issued by registered doctors providing online consultation services, and reviewed and approved by professional and qualified pharmacists. In particular, an e-prescription shall clearly and completely indicate the patients' general condition and clinical diagnosis, as well as the drug names, dosage, specifications and directions. An e-prescription can only be issued for one patient, and shall be properly stored by Internet hospitals for no less than 15 years.

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For Internet home care services, we typically provide training and conduct assessments for nurses before their commencement of services. We also strictly monitor for violative conduct by nurses during the services, and follow up with customers after the services. We retain complete records of the service process. Additionally, we are responsible for handling and coordinating disputes arising from the Internet home care services, and may impose penalties on relevant responsible personnel.

For health management services, we pay special attention to the pre-job training of new employees of all departments at our own medical institutions, and have established an assessment mechanism overseeing the quality of healthcare services rendered and preventing the occurrence of medical accidents. In particular, we monitor closely the departments that are prone to medical accidents, as well as organize investigations to handle adverse medical safety events. Moreover, we hold education sessions and training on medical safety to enhance medical safety awareness. Each department is also responsible for continual data security management in accordance with relevant laws and regulations and ensuring data backup and privacy protection of the information of check-up examinees.

### **Operational Risk Management**

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

We take a comprehensive approach with regard to operational risk management, and implement a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses. For details regarding our data protection and privacy management, see “– Data Privacy and Protection.”

### **Compliance Risk Management**

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

Compliance management refers to the dynamic managing processes of our effective identification and management of compliance risks and proactively preventing the occurrence of risk events. Compliance risk management is the core of our risk management activities, the foundation for effective internal controls, and an important aspect of our corporate culture. We have established a sound compliance risk management framework as part of our comprehensive risk management system, to achieve effective identification and management of compliance risk and ensure that our operations are in compliance with applicable laws and regulations.

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

### COVID-19 IMPACTS

Since late 2019, a novel strain of coronavirus was detected and emerged globally. In response to the pandemic of the contagious coronavirus disease (“COVID-19”), the Chinese government took a number of actions, which included, among other things, compulsory quarantine arrangements, travel restrictions, remote work arrangements and public activities restrictions. The COVID-19 pandemic also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. Notwithstanding the COVID-19 pandemic, our revenue increased from RMB503.0 million in 2020 to RMB614.3 million in 2021 and further to RMB687.4 million in 2022, mainly attributable to increases in revenue from all of our business segments.

The Chinese government has adjusted its pandemic prevention policies since late 2022, and with the termination of the “dynamic zero-COVID” policy, economic activities have begun to gradually recover and return to normal nationwide since early 2023.

We currently do not anticipate any material deviation from our development and expansion plan due to the COVID-19 pandemic. There can be no assurance, however, that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. For details, see “Risk Factors – Risks Relating to Our Business and Industry – An occurrence of a natural disaster, widespread health pandemic or epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.”



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## BUSINESS

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The following sets out some details of the COVID-19 impacts on our business by segment during the Track Record Period:

- **Cloud Hospital Platform Services**

The COVID-19 pandemic has accelerated digital transformation across many processes of healthcare among multiple healthcare participants. During the pandemic, an increasing number of medical institutions started participating in digital healthcare platforms and providing online consultations, driving more patients to experience digital medical services. This general trend has contributed to our increased cooperation with local governments and medical institutions, which has led to increased revenue of our cloud hospital platform services growing from RMB78.6 million in 2020 to RMB128.0 million in 2021. Nonetheless, we have experienced delays in business negotiation and engagement confirmation with customers, mostly government and medical institutions, due to travel restrictions and quarantine requirements. The level of delay varies in different cities, depending on the local evolving COVID-19 pandemic policies. In addition, due to stretched financial condition, change in budget priorities or other factors relating to the COVID-19 pandemic, certain pipeline projects were delayed or canceled by our local government and medical institution customers for the cloud hospital platform services. As a result, the revenue of our cloud hospital platform services decreased slightly from RMB128.0 million in 2021 to RMB122.4 million in 2022.

- **Internet Medical Services**

Similarly, in light of the digital transformation in the PRC healthcare system accelerated by the COVID-19 pandemic, the online hospital services of our Internet medical services sub-segment experienced increased service volumes in 2020, particularly, the online consultations that took place over our platforms increased from approximately 512,900 in 2020 to 1,111,400 in 2021 and further increased to 1,674,000 in 2022. In contrast, the remote medical services of this sub-segment increased in 2021 compared to 2020, and in 2022 compared to 2021. As a result, revenue generated from our Internet medical services increased from RMB55.1 million in 2020 to RMB93.4 million in 2021 and further to RMB137.8 million in 2022, primarily attributable to the increased volume of our Internet medical services during the Track Record Period. However, doctors and nurses in our network of medical institutions in certain cities, such as Ningbo and Shenyang, have had less time that can be devoted to offering Internet medical services through our platforms, due to priorities relating to the COVID-19 pandemic.

- **Health Management Services**

As affected by the COVID-19 pandemic and pursuant to local government policies, we suspended the operations of our own medical institutions in the first quarter of 2020, which has contributed to a negative gross profit of RMB9.1 million for our health management services in the first half of 2020. We reopened all of our own medical institutions and rescheduled health check-ups that were delayed due to the COVID-19 pandemic from April 2020. As a result, revenue generated from our health management services increased from RMB222.5

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## BUSINESS

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million in 2020 to RMB240.9 million in 2021, primarily attributable to the increased volume of our health management services in 2021. Due to the COVID-19 outbreaks in Shanghai and Shenyang in the first three quarters of 2022, we suspended the operations of one medical institution located in Shanghai for 80 days in the first three quarters of 2022 and two medical institutions located in Shenyang for 61 and 31 days, respectively, in the first three quarters of 2022. In addition, we suspended the operations of the medical institutions located in Chongqing, Xi'an, Hefei, Dandong, Fuzhou and Chengdu for an average of 32 days in the first three quarters of 2022 due to the COVID-19 outbreaks in those areas. As of December 31, 2022, we reopened all of our own medical institutions and rescheduled health check-ups that were delayed due to the COVID-19 pandemic. As a result, the revenue generated from our health management services decreased from RMB240.9 million in 2021 to RMB209.2 million in 2022.

- **Smart Healthcare Products**

We believe that the COVID-19 pandemic did not affect our smart healthcare product business because the demand for such products remained relatively stable during the pandemic as such products digitalize the business process of institutions. Revenue generated from smart healthcare products increased from RMB146.9 million in 2020 to RMB152.0 million in 2021 and further to RMB218.0 million in 2022. Nonetheless, as local governments and medical institutions devoted more resources in COVID-19 prevention and quarantine, their purchasing power for smart healthcare products showed a temporary decrease. In addition, there was also a trend showing that local governments and medical institutions leveraged their bargaining power to negotiate favorable pricing and credit terms for new projects.

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## CONTRACTUAL ARRANGEMENTS

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### PRC REGULATORY BACKGROUND

#### Overview

Foreign investment activities in the PRC are mainly governed by the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021版)》) (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divide industries into three categories with regard to foreign investment: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Encouraging Catalog and the Negative List are generally deemed as falling into a fourth category “permitted”. As advised by our PRC Legal Advisor, a summary of our business/operation that is subject to foreign investment restriction in accordance with the Negative List and other applicable PRC laws and on consultations with relevant governmental authorities is set out below (the “**Relevant Businesses**”):

| <u>Categories</u> | <u>Our business/operation</u>   |
|-------------------|---|
| Medical services  | <p>As advised by our PRC Legal Advisor, medical services in the PRC was not subject to any foreign investment restrictions under Catalog of Industries for Guiding Foreign Investment (2011 Version) (《外商投資產業指導目錄(2011年版)》), the “<b>2011 Catalog</b>”, effective on January 30, 2012, which was subsequently replaced by Catalog of Industries for Guiding Foreign Investment (2015 Version) (《外商投資產業指導目錄(2015年版)》), the “<b>2015 Catalog</b>”, effective upon April 10, 2015. As such, we own and operate our medical institutions incorporated prior to April 10, 2015 through a foreign ownership structure by Xikang WFOE. For details, please refer to “History – Foreign Investment into Medical Institutions and Our Compliance with Relevant Rules” in this document.</p> <p>However, following the issue of the 2015 Catalog, operation of “medical institution” established on or after April 10, 2015 in the PRC falls within the “restricted category” for foreign investment under the PRC laws. Further, according to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), foreign investors are not allowed to hold more than 70% equity interest in a “medical institution”.</p> |

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## CONTRACTUAL ARRANGEMENTS

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### Categories

### Our business/operation

With respect to the foreign investment restriction on medical services, the respective PRC legal advisors of our Company and of the Sole Sponsor conducted verbal consultations with an officer in the Medical Administration Bureau (醫政醫管局) of the NHC who verbally confirmed that, (i) except for medical institutions incorporated in Sichuan Province which are subject to less stringent foreign investment restrictions, foreign investors are not allowed to hold, either directly or indirectly, more than 70% equity interest in a medical institution, and same restrictions also apply to operation of “internet hospitals” in the PRC; and (ii) the adoption of the Contractual Arrangements does not require any approval from relevant health administrations. Further, based on telephone consultation by respective PRC legal advisors of our Company and of the Sole Sponsor with an officer of the Health Commission of Sichuan (四川省衛生健康委員會), foreign investors are not allowed to hold, either directly or indirectly, more than 90% equity interest in a medical institution in Sichuan Province.

Our PRC Legal Advisor is of the view that the NHC and the Health Commission of Sichuan are the competent authorities and the officers consulted are competent to represent the NHC and the Health Commission of Sichuan to give such confirmation in respect of foreign investments.

Value-added  
telecommunication  
services

The provision of telecommunication information services and online data processing and transaction processing services through mobile application and internet engaged by Xikang Information falls within the scope of value-added telecommunication service under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, and the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) promulgated by the State Council, taking effect on January 1, 2002 and last amended in March 2022 with effect from May 1, 2022.

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## CONTRACTUAL ARRANGEMENTS

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### Categories

### Our business/operation

Pursuant to the Negative List, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication services (excluding e-commerce, domestic multi-party communication services, store-and-forward services and call center services). According to the 2022 FITE Regulations, foreign investors are permitted to hold up to 50% equity interests in enterprises conducting value-added telecommunication services, except as otherwise stipulated by the state, provided that the foreign investors shall satisfy with some requirements, including the minimum amount of registered capital under the 2022 FITE Regulations. The 2022 FITE Regulations no longer requires the main foreign investor who invests in a value-added telecommunications business in the PRC to have a good track record and experience in operating a value-added telecommunications business.

Xikang Information currently holds a value-added telecommunications business operating license for information services (Internet information services only) (“**ICP License**”), and a license for value-added telecommunications services with the specification of online data processing and transaction processing business (“**EDI License**”).

The respective PRC legal advisors of the Company and of the Sole Sponsor conducted telephone consultations with the MIIT on foreign investment restriction on value-added telecommunications business, and the Beijing Communication Administration on the adoption of the Contractual Arrangements, respectively. During the consultations, the officers of MIIT and Beijing Communication Administration confirmed that (i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunication services (excluding e-commerce, domestic multi-party communication services, store-and-forward services and call center services); (ii) the adoption of the Contractual Arrangements would not be challenged by or requires approval from relevant telecommunication administrations and are not subject to any penalties pursuant to current effective regulations; (iii) the value-added telecommunications business operating license currently held by Xikang Information will be revoked by the Beijing Communication Administration if a foreign investor directly or indirectly holds any equity interest in Xikang Information; and (iv) in case of Xikang Information’s operating business, due to MIIT’s policy requirements, Xikang Information will not be granted a value-added telecommunications business operating license through any foreign investment entity. Our PRC Legal Advisor has confirmed that each of the Beijing Communication Administration and MIIT is competent authorized and the officers of the Beijing Communication Administration and MIIT consulted are competent to represent MIIT and Beijing Communication Administration to provide such confirmation.

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## CONTRACTUAL ARRANGEMENTS

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We will also make periodic inquiries with relevant PRC authorities to understand any new regulatory development and assess whether the relevant government authority will grant the value-added telecommunications business operating license to a sino-foreign equity joint venture established by us.

### OUR CONTRACTUAL ARRANGEMENTS

#### Overview

As foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under PRC laws and regulations as outlined above, we do not directly own or wholly own equity interests in our Consolidated Affiliated Entities, as the case may be. Each of Xikang Medical and Xikang Information is held as to 80% by Ms. Zong Wenhong, our executive Director and chief executive officer and 20% by Ms. Wang Shuli, our vice president and chief financial officer. We obtained control over Xikang Medical and Xikang Information via a series of contractual arrangements signed among Xikang WFOE, Xikang Medical, Xikang Information, Ms. Zong Wenhong and Ms. Wang Shuli, where applicable.

In view of the aforementioned PRC regulatory background, and our PRC Legal Advisor’s verbal consultation with the competent authorities as mentioned above, we determined that it was not viable for our Company to (i) hold more than 70% equity interests in Ningbo Xikang and its subsidiary, Shenyang Cloud Hospital, Shaanxi Xikang, and Shanghai Xikang and its subsidiary, respectively, which are engaged in medical services; (ii) hold more than 90% equity interests in Chengdu Xikang which is engaged in medical service; or (iii) hold Xikang Information directly through equity ownership. Instead, we decided that in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities through the Contractual Arrangements between Xikang WFOE, on the one hand, and Xikang Medical, Xikang Information and the Registered Shareholders, on the other, where applicable.

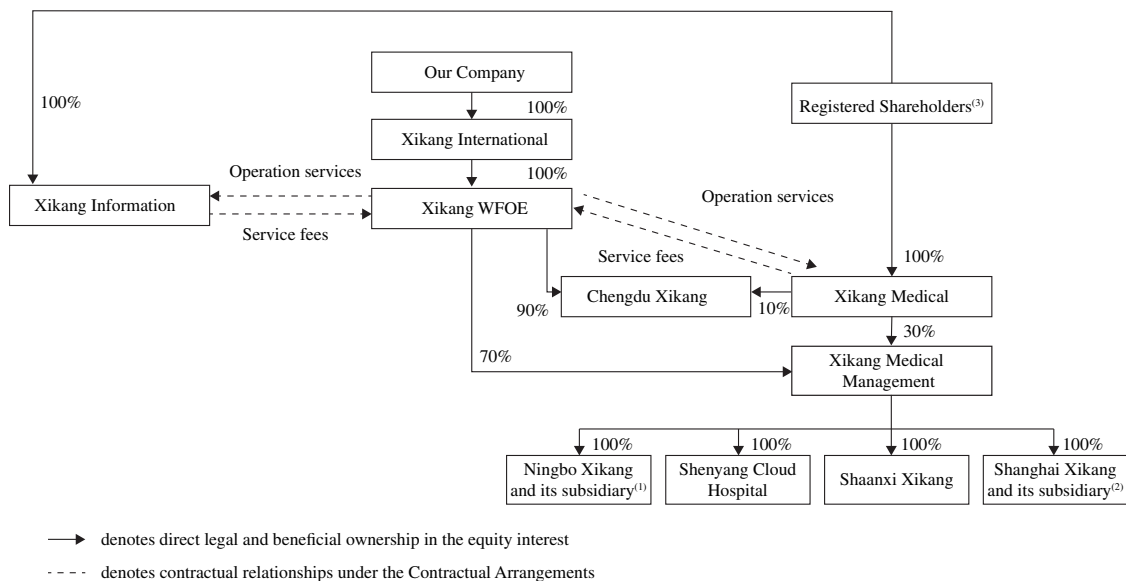
In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. In connection with the [REDACTED] and in order to ensure that our Contractual Arrangements are, and will continue to remain, narrowly tailored in accordance with the Stock Exchange’s requirements, (i) Xikang Medical Management transferred 90% and 10% of the equity interest in Chengdu Xikang, a company engaged in medical services which was subject to foreign investment restrictions pursuant to the applicable PRC laws and regulations, to Xikang WFOE and Xikang Medical, respectively on April 30, 2021, and (ii) we entered into the current set of Contractual Arrangements on May 18, 2021 to terminate and replace the Previous Contractual Arrangements entered into between Xikang WFOE, each of Xikang Information and Xikang Medical and their respective shareholders. Xikang WFOE has effective control over the financial and operational performance of the Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. See the section headed “History,

## CONTRACTUAL ARRANGEMENTS

Reorganization and Corporate Structure – Restructuring of Onshore Entities” in this document for further details. Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

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

The following simplified diagram illustrates our Contractual Arrangements:



*Notes:*

- (1) The subsidiary of Ningbo Xikang refers to Ningbo Cloud Hospital.
- (2) The subsidiary of Shanghai Xikang refers to Shanghai Clinic.
- (3) As of the Latest Practicable Date, each of Xikang Medical and Xikang Information is held as to 80% by Ms. Zong Wenhong, our executive Director and chief executive officer and 20% by Ms. Wang Shuli, our vice president and chief financial officer. Notwithstanding that each of the Registered Shareholders may hold limited beneficial interest in the Company’s issued share capital upon the [REDACTED], the Group has adopted the following safeguards to manage the potential risks arising from the Contractual Arrangements:
  - (A) The Contractual Arrangements enable WFOE to exercise effective control over Xikang Medical and Xikang Information. No event of default has ever occurred since our current contractual arrangements were put in place and we have not experienced any practical difficulties in enforcing the contractual arrangements. The contractual arrangements agreements are binding upon both of the Registered Shareholders, which are in compliant with the requirements of the HKEX-LD43-3;

## CONTRACTUAL ARRANGEMENTS

- (B) According to the Contractual Arrangements, the Registered Shareholders entered into the Exclusive Option Agreements (defined below), pursuant to which the Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws. Further, the Registered Shareholders and Xikang WFOE also entered into the Equity Pledge Agreements (defined below), according to which the Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in the Onshore Holdcos to Xikang WFOE in order to guarantee Onshore Holdcos’ and their respective Registered Shareholders’ performance of obligations under the Contractual Arrangements; and
- (C) The Group is managed centrally by the Board and the senior management members as disclosed in “Directors and Senior Management” of the Document, who is primarily responsible for the day-to-day and overall management of the business and operations of the Group. As members of the senior management, Ms. Zong Wenhong and Ms. Wang Shuli, being the Registered Shareholders, are dedicated to carrying out decisions made centrally by the Board and senior management of the Group.

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

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



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## CONTRACTUAL ARRANGEMENTS

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Xikang Information currently holds an ICP License and an EDI License. As advised by our PRC Legal Advisor, the provision of telecommunication information services and online data processing and transaction processing services through mobile application and internet engaged by Xikang Information falls within the scope of value-added telecommunication service under the FITE Regulations. In addition, Xikang Medical, Xikang Medical Management and/or its subsidiaries and Chengdu Xikang operate "medical institutions" established on or after April 10, 2015, which falls within the "restricted category" for foreign investment under the PRC laws. See " – PRC Regulatory Background – Overview" in this section for further details.

For the years ended December 31, 2020, 2021 and 2022, the Consolidated Affiliated Entities in aggregate accounted for 32.5%, 36.8% and 37.9% of our revenue, and 8.7%, 3.9% and 3.5% of our loss for the year/period, respectively.

### **Summary of the agreements under the Contractual Arrangements and other key terms thereunder**

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

#### ***Exclusive Management Consultancy and Business Cooperation Agreements***

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

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

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## CONTRACTUAL ARRANGEMENTS

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

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

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

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

### *Exclusive Option Agreements*

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

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## CONTRACTUAL ARRANGEMENTS

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

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

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

### *Equity Pledge Agreements*

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

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

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

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## CONTRACTUAL ARRANGEMENTS

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We have completed the registration of the Equity Pledge Agreements with the relevant PRC legal authority pursuant to the PRC Laws.

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

### *Loan Agreements*

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

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

### *Powers of Attorney*

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

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## CONTRACTUAL ARRANGEMENTS

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

- (i) the authorisations under the Powers of Attorney will not lead to any potential conflict of interests between Xikang WFOE and the Registered Shareholders; and
- (ii) if any conflict of interest occurs during the performance of the Contractual Arrangements, Xikang WFOE's interest shall take priority.

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

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

### *Spouse Undertakings*

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

- (i) each spouse confirmed and agreed that the respective Registered Shareholders is entitled to deal with her own equity interests in the Onshore Holdcos in accordance with the Contractual Arrangements;
- (ii) each spouse confirmed that the respective Registered Shareholders may further amend or terminate the Contractual Arrangements without the need for authorization or consent by the spouse;
- (iii) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of Contractual Arrangements as amended from time to time; and
- (iv) each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that he will not have any claim on such equity interests and assets; and he has not and does not intend to participate in the operation and management or other voting matters of the Onshore Holdcos.

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## CONTRACTUAL ARRANGEMENTS

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### *Other key terms thereunder*

#### *Dispute resolution*

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the Exclusive Management Consultancy and Business Cooperation Agreements, Exclusive Option Agreements, Loan Agreements and Equity Pledge Agreements stipulates: (i) that the parties shall negotiate in good faith to resolve the dispute, and (ii) in the event the parties fail to reach an agreement on the resolution of the dispute, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The seat of arbitration is Beijing. The arbitration award shall be final and binding on all parties.

The dispute resolution clause of each of the Contractual Arrangements also provides that, subject to the relevant laws of the PRC, (i) the arbitrator may award remedies over the shares or assets of our Onshore Holdcos, injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of the Onshore Holdcos, and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC (being the place of incorporation of our Onshore Holdcos) and the place where the principal assets of our Company or Onshore Holdcos are located, have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

However, our PRC Legal Advisor has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Onshore Holdcos pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws.

As a result of the above, if our Onshore Holdcos or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See section headed "Risk Factors – Risks Relating to Our Contractual Arrangements – We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws" for details.

#### *Succession*

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the PRC Civil Code (《中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal

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## CONTRACTUAL ARRANGEMENTS

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grandparents and the maternal grandparents. In case of a breach, Xikang WFOE can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the Registered Shareholders under the Contractual Arrangements as a result of their loss of capacity, death, bankruptcy (if applicable), divorce, or under other circumstance which would affect their exercise of equity interest in the Onshore Holdcos, as if the inheritor was a signing party to such Contractual Arrangements.

Based on the foregoing, our PRC Legal Advisor is of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy (if applicable), or divorce of the Registered Shareholders; and (ii) the loss of capacity, death, bankruptcy (if applicable) or divorce of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and Xikang WFOE may enforce its rights under the Contractual Arrangements against the successors of such shareholders.

### *Conflicts of interests*

Each of the Registered Shareholders has given their irrevocable undertaking to the Powers of Attorney to address potential conflicts and interests that may arise in connection with the Contractual Arrangements. For further details, see “– Summary of the agreements under the Contractual Arrangements and other key terms thereunder – Powers of Attorney.”

### *Loss sharing*

Under relevant PRC laws and regulations, neither our Company nor Xikang WFOE is legally required to share the losses of, or provide financial support to, our Onshore Holdcos. Further, our Onshore Holdcos are limited liability companies and shall be solely liable for their own debts and losses with assets owned by them.

Nevertheless, Xikang WFOE intends to provide continuous assistance to our Onshore Holdcos in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations through the Onshore Holdcos, which hold relevant PRC operational licenses and approvals, and their financial position and results of operations are consolidated into our Group’s financial statements under applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our Onshore Holdcos suffer losses.

However, the provisions in the agreements underlying the Contractual Arrangements are tailored to limit, to the greatest extent possible, the potential adverse effect on Xikang WFOE and our Company as a result of any loss suffered by our Onshore Holdcos, for instance:

- (i) under the Exclusive Option Agreements, the assets of our Onshore Holdcos are not to be transferred or otherwise disposed of without the prior written consent of our Company;

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## CONTRACTUAL ARRANGEMENTS

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- (ii) under the Exclusive Option Agreements, none of the Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of her equity interests in our Onshore Holdcos without our Company's prior written consent;
  
- (iii) under the Exclusive Management Consultancy and Business Cooperation Agreements and Powers of Attorney, (i) without prior written consent of Xikang WFOE, our Onshore Holdcos shall not change or remove the members of the boards of directors of each of our Onshore Holdcos; (ii) Xikang WFOE has the right to appoint the directors, financial controllers and other senior managers of our Onshore Holdcos; (iii) Xikang WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of our Onshore Holdcos; (iv) Xikang WFOE has the right to periodically receive or inspect the accounts of our Onshore Holdcos; and (v) without the written consent of Xikang WFOE, none of the Onshore Holdcos shall enter into, among other things, an acquisition, disposal or dealings in assets, with a third party, that has a value higher than RMB500,000.

### *Liquidation*

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements and the Exclusive Option Agreements, the Registered Shareholders have undertaken to appoint a committee designated by Xikang WFOE as the liquidation committee upon the winding up of our Onshore Holdcos to manage their assets. However, in the event of a mandatory liquidation under PRC laws or as a result of insolvency, the provisions above may not be enforceable pursuant to PRC laws.

### *Insurance*

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

### *Company's confirmation*

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

### **Circumstances under which we will adjust or unwind the Contractual Arrangements**

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the relevant licenses made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.



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## CONTRACTUAL ARRANGEMENTS

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### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that:

- (a) each of Xikang WFOE and the Consolidated Affiliated Entities is a duly incorporated and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; each of Ms. Zong Wenhong and Ms. Wang Shuli is a natural person with full civil and legal capacity;
- (b) the parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Xikang WFOE or the Consolidated Affiliated Entities;
- (d) pursuant to Articles 146, 153 and 154 of the PRC Civil Code, a contract is void if the civil juristic act: (i) is performed by a person and another person based on a false expression of intent; (ii) is in violation of the mandatory provisions of laws or administrative regulations, unless such mandatory provisions do not lead to invalidity of such a civil juristic act; (iii) offends the public order or good morals; or (iv) is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person. The execution and performance of the Contractual Arrangements does not fall within any of the circumstances under which a contract may become null and void pursuant to the PRC Civil Code;
- (e) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:
  - (i) the exercise of the option by the Xikang WFOE or their respective designee of their respective rights under the Exclusive Option Agreements to acquire all or part of the equity interests in the relevant Onshore Holdcos is subject to the approvals of and/or registration with the PRC regulatory authorities;
  - (ii) any share pledge contemplated under the Equity Pledge Agreements is subject to the registration with local administration bureau for market regulation; and
  - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and

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- (f) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidation committee:
- (i) the Contractual Arrangements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The seat of arbitration is Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of the Onshore Holdcos or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Onshore Holdcos; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) the PRC (being the place of incorporation of our Onshore Holdcos) and the place where the principal assets of our Company or Onshore Holdcos are located, have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. However, our PRC Legal Advisor has advised that interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and
  - (ii) the Contractual Arrangements provide that the Registered Shareholders undertake to appoint a committee designated by Xikang WFOE as the liquidation committee upon the winding up of the Onshore Holdcos to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

However, we have been advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisor.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See "Risk Factors – Risks Relating to Our Contractual Arrangements."

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## CONTRACTUAL ARRANGEMENTS

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### DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN THE PRC

#### The Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**FIL**”) was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**FIL Implementing Regulations**”), which took effect on January 1, 2020. For details of the FIL and the FIL Implementing Regulations, see “Regulatory Overview – Regulations Relating to Foreign Investment.”

#### Impact and consequences of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the People’s Republic of China (《中華人民共和國外國投資法(草案徵求意見稿)》) published in January 2015 by the MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Notwithstanding the above, the FIL stipulates that foreign investment includes “investment by foreign investors through such other methods under laws, administrative regulations or provisions prescribed by the State Council.” There is the possibility that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements would be deemed in violation of foreign investment laws and regulations and how our Contractual Arrangements would then be handled by relevant PRC authorities. Therefore, there is no guarantee that our Contractual Arrangements, and the business of our Consolidated Affiliated Entities, will not be materially and adversely affected in the future due to changes in PRC Laws. See “Risk Factors – Risks Relating to our Contractual Arrangements – Our current corporate structure and business operations may be affected by the Foreign Investment Law” for further details of risks relating to the FIL. In any event, we will take reasonable steps in good faith to seek compliance with the FIL.

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## CONTRACTUAL ARRANGEMENTS

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### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Xikang WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

#### Consolidation of Financial Results of the Consolidated Affiliated Entities

Under the Exclusive Management Consultancy and Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Xikang WFOE, the Onshore Holdcos shall pay services fees to Xikang WFOE. The services fee shall equal to the Onshore Holdcos' consolidated profit before tax excluding the service fees thereunder, after deducting any accumulated losses of the Consolidated Affiliated Entities from the preceding fiscal year, and any costs, expenses, tax and other statutory contribution in relation to the respective fiscal year. Xikang WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Exclusive Option Agreement, Xikang WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as Xikang WFOE's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the services fees under the Exclusive Management Consultancy and Business Cooperation Agreement, such income, profit distribution or dividend to Xikang WFOE or any other person designated by Xikang WFOE to the extent permitted under applicable PRC laws.

## **CONTRACTUAL ARRANGEMENTS**

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As a result of the Contractual Arrangements among Xikang WFOE, the Onshore Holdcos and the Registered Shareholders, Xikang WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 11 to the Accountant's Report set out in Appendix I.

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## CONNECTED TRANSACTIONS

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Upon [REDACTED], transactions between us and our connected persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

### OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon [REDACTED]:

| <u>Connected Persons</u> | <u>Connected Relationship</u>  |
|--------------------------|--|
| Neusoft Holdings         | As of the Latest Practicable Date, Neusoft Holdings indirectly held approximately 23.42% interest in our share capital. Immediately following the completion of the [REDACTED] presuming the Assumptions, Neusoft Holdings will hold approximately [REDACTED]% interest in our share capital, and will therefore be our substantial Shareholder and a connected person pursuant to Chapter 14A of the Listing Rules.       |
| Neusoft Corporation      | As of the Latest Practicable Date, Neusoft Corporation indirectly held approximately 27.94% interest in our share capital. Immediately following the completion of the [REDACTED] presuming the Assumptions, Neusoft Corporation will hold approximately [REDACTED]% interest in our share capital, and will therefore be our substantial Shareholder and a connected person pursuant to Chapter 14A of the Listing Rules. |
| Rongsheng Insurance      | Rongsheng Insurance is a PRC company principally engaged in (among other things) commercial medical insurer, and is controlled by Neusoft Corporation (our substantial shareholder) as to more than 30% of its voting rights at general meetings. Accordingly, Rongsheng Insurance is an associate of Neusoft Corporation and therefore our connected person pursuant to Chapter 14A of the Listing Rules.                 |
| PICC P&C                 | As of the Latest Practicable Date, PICC P&C indirectly held approximately 14.30% interest in our share capital. Immediately following the completion of the [REDACTED] presuming the Assumptions, PICC P&C will hold approximately [REDACTED]% interest in our share capital, and will therefore be our substantial Shareholder and a connected person pursuant to Chapter 14A of the Listing Rules.                       |

## CONNECTED TRANSACTIONS

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

#### A. Continuing Connected Transactions with Neusoft Holdings and its associates

| No.   | Connected transactions   | Applicable Listing Rule(s) | Waiver sought | Proposed annual cap for the year ending December 31, 2023 |
|---|--|----------------------------|---------------|---|
| <i>(RMB in millions)</i>                              |  |                            |               |   |
| <b>Fully Exempt Continuing Connected Transactions</b> |  |                            |               |   |
| 1.  | Provision of services and products by our Group to Neusoft Holdings  | 14A.76(1)                  | N/A           | N/A   |
| 2.  | Purchase of products and services by our Group from Neusoft Holdings | 14A.76(1)                  | N/A           | N/A   |

#### B. Continuing Connected Transactions with Neusoft Corporation and its associates

| No.   | Connected transactions   | Applicable Listing Rule(s) | Waiver sought   | Proposed annual cap for the year ending December 31, 2023 |
|---|--|----------------------------|---|---|
| <i>(RMB in millions)</i>                                  |  |                            |   |   |
| <b>Fully Exempt Continuing Connected Transaction</b>      |  |                            |   |   |
| 1.  | Chronic disease management services provided by our Group to Rongsheng Insurance   | 14A.76(1)                  | N/A   | N/A   |
| 2.  | Lease of property by our Group from Neusoft Corporation  | 14A.76(1)                  | N/A   | N/A   |
| <b>Partially Exempt Continuing Connected Transactions</b> |  |                            |   |   |
| 3.  | <b>Health Management Service Framework Agreement</b><br>Health management service provided by our Group to Neusoft Corporation | 14A.76(2)                  | Announcement requirement under Chapter 14A of the Listing Rules | 6   |
| 4.  | <b>IT Cooperation Framework Agreement</b>  |                            |   |   |
| (a)   | IT services and products provided by our Group to Neusoft Corporation  | 14A.76(2)                  | Announcement requirement under Chapter 14A of the Listing Rules | 15  |
| (b)   | IT services and products provided by Neusoft Corporation to our Group  | 14A.76(2)                  | Announcement requirement under Chapter 14A of the Listing Rules | 14  |

## CONNECTED TRANSACTIONS

### C. Continuing Connected Transaction with PICC P&C

| No.  | Connected transaction                                       | Applicable Listing Rule(s) | Waiver sought | Proposed annual cap for the year ending December 31, 2023<br><i>(RMB in millions)</i> |
|--|---|----------------------------|---------------|---|
| <b>Fully Exempt Continuing Connected Transaction</b> |   |                            |               |   |
| 1.   | Health management service provided by our Group to PICC P&C | 14A.76(1)                  | N/A           | N/A   |

### D. Contractual Arrangements

| No. | Connected transactions   | Applicable Listing Rule(s)                    | Waiver sought  | Proposed annual cap for the year ending December 31, 2023<br><i>(RMB in millions)</i> |
|-----|--------------------------|---|--|---|
| 1.  | Contractual Arrangements | 14A.34-36, 14A.49, 14A.52-53, 14A.59, 14A.105 | Announcement, circular and independent shareholders' approval, annual cap, term of agreements limited to three years | N/A   |

## FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Continuing Connected Transactions with Neusoft Holdings and its associates

#### 1. *Provision of products and services by our Group to Neusoft Holdings*

We will, from time to time, provide various types of products and services to Neusoft Holdings and/or its associates, including, but not limited to, (1) health management services for the benefit of the employees of Neusoft Holdings; and (2) smart healthcare products including (among other things) All-in-One Healthcare Devices and its accessories. The service fees will be determined by the parties at arm's length negotiations with reference to prevailing market rate.



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## CONNECTED TRANSACTIONS

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As such provision of services and products by our Group to Neusoft Holdings will be conducted in the ordinary and usual course of business and on normal commercial terms or better, the highest applicable percentage ratio for the service fees payable by Neusoft Holdings to us is expected to be less than 5% on an annual basis and the highest annual cap is less than HK\$3,000,000, such transaction will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

### ***2. Purchase of products and services by our Group from Neusoft Holdings***

We will, from time to time, purchase various types of products and services from Neusoft Holdings and/or its associates, including, among others, (1) software and IT infrastructure services provided by Neusoft Holdings, including (among other things) software products and infrastructures to support the daily operation of our cloud hospital and healthcare business; and (2) hotel services and conference facilities provided by Neusoft Holdings. The service fees will be determined by the parties at arm’s length negotiations with reference to prevailing market rate.

As such purchase of services and products by our Group from Neusoft Holdings will be conducted in the ordinary and usual course of business and on normal commercial terms or better, the highest applicable percentage ratio for the service fees payable by us to Neusoft Holdings is expected to be less than 5% on an annual basis and the highest annual cap is less than HK\$3,000,000, such transaction will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

### **Continuing Connected Transaction with Neusoft Corporation and its associates**

### ***3. Chronic disease management services provided by our Group to Rongsheng Insurance***

During the Track Record Period, we entered into chronic disease management cooperation with Rongsheng Insurance, an associate of Neusoft Corporation for a period from July 1, 2020 to December 31, 2022. We were engaged by Rongsheng Insurance to (i) set up the procedures and standards relating to identification of patients with chronic diseases, the scope and dosage of chronic disease medication and review of prescriptions on chronic diseases, and (ii) monitor the implementation of such procedures and standards at outpatient departments of target medical institutions and report any issues discovered. We also help Rongsheng Insurance with prescription reviews and cost saving efforts. With respect to identified patients with chronic diseases at the relevant outpatient departments, we offer health management services and provide health information, including establishing health records and signing up family doctors over our platform, and periodically review their status. For details, please refer to “Business – Our Solutions – Health Management Services – Chronic Disease Management Services” in this document. The service fees will be determined by the parties at arm’s length negotiations with reference to prevailing market rate.

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## CONNECTED TRANSACTIONS

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As chronic disease management services provided by our Group to Rongsheng Insurance will be conducted in the ordinary and usual course of business and on normal commercial terms or better, the highest applicable percentage ratio for the service fee payable by our Group to Rongsheng Insurance is expected to be less than 5% on an annual basis and the highest annual cap is less than HK\$3,000,000, such transaction will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

#### ***4. Lease of property by our Group from Neusoft Corporation***

During the Track Record Period, some of our Subsidiaries and Consolidated Affiliated Entities (the "Lessees"), entered into several lease agreements with Neusoft Corporation, the expiry dates of which ranged between June 30, 2023 to December 31, 2023. The rents were determined by the parties at arm's length negotiations with reference to prevailing market rate.

As the lease agreements between the Lessees and Neusoft Corporation are entered into and have been conducted in the ordinary and usual course of business and on normal commercial terms or better, and the highest applicable percentage ratio for the rents payable by our Group to Neusoft Corporation is expected to be less than 0.1% on an annual basis, such transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

#### **Continuing Connected Transaction with PICC P&C and its associates**

#### ***5. Health management services provided by our Group to PICC P&C***

We will, from time to time, provide health management services to PICC P&C for the benefit of their employees. The service fees will be determined by the parties at arm's length negotiations with reference to prevailing market rate.

As provision of health management service to PICC P&C will be conducted in the ordinary and usual course of business and on normal commercial terms or better, the highest applicable percentage ratio for the service fee payable by PICC P&C to us is expected to be less than 5% on an annual basis and the highest annual cap is less than HK\$3,000,000, such transaction will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1).

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## CONNECTED TRANSACTIONS

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### NON-FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### 1. Health Management Service Framework Agreement

##### *Principal terms*

We entered into a health management service framework agreement with Neusoft Corporation on [●] (the "**Health Management Service Framework Agreement**"), pursuant to which we will provide health management services to the employees of Neusoft Corporation and its associates for the benefit of their employees.

The Health Management Service Framework Agreement has an initial term commencing from the [REDACTED] and ending on December 31, 2023, subject to renewal upon the mutual consent of both parties.

##### *Reasons for and benefit of the transaction*

Our Directors consider that the provision of health management services to Neusoft Corporation would benefit our Company for the following reasons:

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

##### *Pricing policies*

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

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## CONNECTED TRANSACTIONS

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### *Historical amounts*

For the years ended December 31, 2020, 2021 and 2022, the aggregate amounts of service fee in connection with health management services paid/payable to our Group by Neusoft Corporation and its associate were approximately RMB4.71 million, RMB4.90 million and RMB5.00 million, respectively.

### *Annual Cap*

In relation to the Health Management Service Framework Agreement, the transaction amount to be paid by Neusoft Corporation and/or its associate to us in respect of the provision of health management services for the year ending December 31, 2023 shall not exceed the proposed annual cap as set out in the table below:

**Proposed annual cap  
for the year ending  
December 31, 2023**

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*(RMB in millions)*

|  |   |
|--|---|
| Service fees to be paid by Neusoft Corporation to us | 6 |
|--|---|

### *Basis of cap*

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

- the historical transaction amounts for the three years ended December 31, 2022 between our Company and Neusoft Corporation and/or its associates during the Track Record Period; and
- Along with its expansion in scale and business growth, the number of employees of Neusoft Corporation is expected to continue to increase in the year ending December 31, 2023, which will lead to an expected increase in demand for our health management services.

### *Listing Rules implications*

As the highest applicable percentage ratio of the transactions under the Health Management Service Framework Agreement for the year ending December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon [REDACTED], constitute continuing connected transactions of the Company subject to the annual

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## CONNECTED TRANSACTIONS

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reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### 2. IT Cooperation Framework Agreement

#### *Principal terms*

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

Details of the types of IT services or products to be provided, respectively, by the parties under the IT Cooperation Framework Agreement primarily consist of the following:

#### *IT services and products provided by our Group to Neusoft Corporation*

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

#### *IT services and products provided by Neusoft Corporation to our Group*

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

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

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## CONNECTED TRANSACTIONS

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### *Reasons for the transaction*

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

### *Pricing policies*

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

With respect to the general IT services provided by Neusoft Corporation to our Group, the fee rates will be determined by the parties at an arm's length negotiations with reference to the prevailing market price and consideration of various factors, including, the costs of labor, the costs of maintenance, the nature and technical features of the relevant services provided, etc., and will be no less favorable to our Group than the fees offered to or charged by other Independent Third Parties.

### *Historical amounts*

For the years ended December 31, 2020, 2021 and 2022, the aggregate amounts of fees in connection with IT services paid/payable to our Group by Neusoft Corporation and its associates were approximately RMB5.00 million, RMB9.69 million and RMB4.15 million, respectively; while the aggregate amounts of purchase fee in connection with IT services paid/payable to Neusoft Corporation and its associates by our Group were approximately RMB8.92 million, RMB9.20 million and RMB8.58 million, respectively.

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## CONNECTED TRANSACTIONS

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### *Annual Caps*

In relation to the IT Cooperation Framework Agreement, the proposed annual caps for the year ending December 31, 2023 are set out in the table below:

|   | <b>Proposed annual caps<br/>for the year ending<br/>December 31, 2023</b> |
|---|---|
|   | <i>(RMB in millions)</i>  |
| Fees to be paid by Neusoft Corporation to us        | 15  |
| Fees to be paid by our Group to Neusoft Corporation | 14  |

### *Basis of caps*

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

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

### *Listing Rules implications*

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

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## CONNECTED TRANSACTIONS

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### 3. Contractual Arrangements

#### *Background*

As disclosed in the section headed “Contractual Arrangements” in this document, due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC. Both Xikang Medicial and Xikang Information are held as to 80% by Ms. Zong Wenhong, our executive Director and chief executive officer and 20% by Ms. Wang Shuli, our vice president and chief financial officer.

See the section headed “Contractual Arrangements” in this document for detailed terms of the Contractual Arrangements.

#### *Listing Rules implications*

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

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



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## CONNECTED TRANSACTIONS

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### INTERNAL CONTROL PROCEDURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable to us than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms, we have adopted the following internal control procedures:

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

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## CONNECTED TRANSACTIONS

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### CONFIRMATION BY DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that the non-fully exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the proposed monetary annual caps in respect of non-fully exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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

### CONFIRMATION BY THE SOLE SPONSOR

The Sole Sponsor is of the view that the continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of the Company on normal commercial terms or better that are fair and reasonable and in the interests of the Company and our Shareholders as a whole, and that the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which are of a duration longer than three years, the Sole Sponsor is of the view that it is a justifiable and normal business practice to ensure that (i) the financial and operation of the Consolidated Affiliated Entities can be effectively controlled by Xikang WFOE; (ii) Xikang WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, or on an uninterrupted basis.

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## CONNECTED TRANSACTIONS

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### WAIVER GRANTED BY THE STOCK EXCHANGE

#### Non-fully exempt connected transactions (excluding the Contractual Arrangements)

In respect of the non-fully exempt continuing connected transactions as described above under “Health Management Service Framework Agreement” and “IT Cooperation Framework Agreement”, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the year ending December 31, 2022 is expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, the above non-fully exempt continuing connected transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but exempt from the independent Shareholders’ approval requirement under Rule 14A.36 of the Listing Rules.

As the above non-fully exempt continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders’ approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions under Health Management Service Framework Agreement and IT Cooperation Framework Agreement, provided that the total amount of transactions ending December 31, 2023 will not exceed the proposed annual caps as set out in this section. The independent non-executive Directors and auditors of the Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant framework agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

#### Contractual Arrangements

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

*(a) No change without independent non-executive Directors’ approval*

No change to the Contractual Arrangements (including with respect to any fees payable to Xikang WFOE) will be made without the approval of our independent non-executive Directors.

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## CONNECTED TRANSACTIONS

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***(b) No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without our independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of our independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

***(c) Economic benefits and flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets for nil consideration or the minimum amount of consideration as permitted by applicable PRC laws, (ii) the business structure under which the profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Xikang WFOE by our Consolidated Affiliated Entities under the Exclusive Management Consultancy and Business Cooperation Agreement (as defined in "Contractual Arrangements"), and (iii) our Group's right to control the management and operation of, as well as, in substance, the controlling voting rights of our Consolidated Affiliated Entities.

***(d) Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced (i) upon the expiry of the existing arrangements or (ii) in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company), engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

All renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

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## CONNECTED TRANSACTIONS

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*(e) Ongoing reporting and approvals*

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- (a) the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- (b) our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, as far as our Group is concerned and in the interests of our Shareholders as a whole;
- (c) our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- (d) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules;
- (e) our Consolidated Affiliated Entities will undertake that, for as long as the Shares are [REDACTED] on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions;

## CONNECTED TRANSACTIONS

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- (f) in addition, we have applied to the Stock Exchange, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements (as defined above); (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities in any New Intergroup Agreements; and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as Shares are [REDACTED] on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their associates will be treated as our Company's connected persons (excluding for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

Upon [REDACTED], our Board will consist of nine Directors, including one executive Director, five non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

| Name  | Age | Position   | Date of joining our Group | Date of appointment as a Director | Roles and responsibilities   | Relationship with other Directors and senior management |
|---|-----|--|---------------------------|-----------------------------------|--|---|
| <b>Chairperson and non-executive Director</b> |     |  |                           |                                   |  |   |
| Dr. LIU Jiren<br>(劉積仁)                        | 66  | Chairman of the Board, non-executive Director, chairman of the Nomination Committee and the Strategy Committee, and member of the Remuneration Committee | July 15, 2011             | July 15, 2011                     | Responsible for overall strategic planning, overall management and business direction of the Group         | None  |
| <b>Executive Director</b>                     |     |  |                           |                                   |  |   |
| Ms. ZONG Wenhong<br>(宗文紅)                     | 53  | Executive Director, chief executive officer and member of the Strategy Committee   | August 3, 2015            | December 27, 2019                 | Responsible for operational management and business based on overall strategy and development of our Group | None  |

## DIRECTORS AND SENIOR MANAGEMENT

| Name  | Age | Position  | Date of joining our Group | Date of appointment as a Director | Roles and responsibilities   | Relationship with other Directors and senior management |
|---|-----|---|---------------------------|-----------------------------------|--|---|
| <b>Non-executive Directors (aside from our Chairperson)</b> |     |   |                           |                                   |  |   |
| Ms. LU<br>Zhaoxia<br>(盧朝霞)                                  | 64  | Non-executive<br>Director   | July 15,<br>2011          | July 15,<br>2011                  | Responsible for participating in the formulation of business plans, strategies and major decisions through the Board | None  |
| Dr. WANG Nan<br>(王楠)  | 46  | Non-executive<br>Director   | November 18,<br>2015      | November 18,<br>2015              | Responsible for participating in the formulation of business plans, strategies and major decisions through the Board | None  |
| Mr. PU<br>Chengchuan<br>(蒲成川)                               | 35  | Non-executive<br>Director   | December 30,<br>2022      | December 30,<br>2022              | Responsible for participating in the formulation of business plans, strategies and major decisions through the Board | None  |
| Dr. CHEN<br>Lianyong<br>(陳連勇)                               | 59  | Non-executive<br>Director, and<br>member of the<br>Audit Committee<br>and the Strategy<br>Committee | December 27,<br>2019      | December 27,<br>2019              | Responsible for participating in the formulation of business plans, strategies and major decisions through the Board | None  |



## DIRECTORS AND SENIOR MANAGEMENT

| Name                                       | Age | Position  | Date of<br>joining our<br>Group | Date of<br>appointment<br>as a Director | Roles and<br>responsibilities   | Relationship<br>with other<br>Directors<br>and senior<br>management |
|--|-----|---|---------------------------------|---|---|---|
| <b>Independent non-executive Directors</b> |     |   |                                 |   |   |   |
| Ms. CHEN Yan<br>(陳艷)                       | 60  | Independent<br>non-executive<br>Director and<br>chairman of the<br>Audit Committee<br>and the<br>Remuneration<br>Committee                              | [●]                             | [●]                                     | Responsible for<br>offering independent<br>advice to the Board<br>on the operations and<br>management of our<br>Group | None  |
| Dr. FANG<br>Weiyi<br>(方唯一)                 | 65  | Independent<br>non-executive<br>Director and<br>member of<br>the Remuneration<br>Committee,<br>Nomination<br>Committee and<br>the Strategy<br>Committee | [●]                             | [●]                                     | Responsible for<br>offering independent<br>advice to the Board<br>on the operations and<br>management of our<br>Group | None  |
| Dr. YIN<br>Guisheng<br>(印桂生)               | 57  | Independent<br>non-executive<br>Director and<br>member of the<br>Audit Committee,<br>the Nomination<br>Committee and the<br>Strategy Committee          | [●]                             | [●]                                     | Responsible for<br>offering independent<br>advice to the Board<br>on the operations and<br>management of our<br>Group | None  |

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## DIRECTORS AND SENIOR MANAGEMENT

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### Chairperson and non-executive Director

**Dr. LIU Jiren** (劉積仁), aged 66, has been the chairman of the Board and a non-executive Director of our Company since July 15, 2011. He is a core founding member of our Group.

Dr. Liu is one of the founders of Neusoft Corporation. He served as a director and the general manager of Shenyang Neusoft Software Co., Ltd. (瀋陽東軟軟件股份有限公司) (“**Neusoft Software**”) (formerly known as Shenyang Neu-Alpine Software Co., Ltd (瀋陽東大阿爾派軟件股份有限公司), the predecessor of Neusoft Corporation), from June 1991 to August 1999, the chairman of the board of Neusoft Software from August 1999 to June 2008, and the chairman of the board and president of the former Neusoft Corporation from May 2003 to June 2008. He has acted as the chairman of the board of Neusoft Corporation since June 2008, and the chief executive officer of Neusoft Corporation from June 2008 to April 2021. Dr. Liu has concurrently served as the chairman of the board of Neusoft Holdings since November 2011. Since August 2018, he has served as a non-executive director and the chairman of the board of Neusoft Education Technology Co., Limited (東軟教育科技有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 9616.HK) mainly engaged in providing private IT higher education services. In addition, Dr. Liu served as a lecturer at Northeastern University (東北大學) (formerly known as Northeastern University of Technology (東北工學院)) from May 1987 to June 1988, and the vice president of Northeastern University from March 1995 to August 2014.

Dr. Liu received his bachelor’s, master’s and doctoral degrees in computer science from Northeastern University in the PRC in April 1980, December 1982 and November 1987, respectively. He has been a professor of Northeastern University since June 1988.

### Executive Director

**Ms. ZONG Wenhong** (宗文紅), aged 53, has been the chief executive officer of our Company since December 15, 2015 and the executive Director since December 27, 2019 (previously the vice president and chief medical officer) of our Company. Ms. Zong also holds directorship and senior management position in a number of our Group members, including: (i) the director and the general manager of Xikang Medical, (ii) the director and the general manager of Xikang Information, (iii) the director and the general manager of Xikang Medical Management, (iv) the director and the general manager of Xikang Medical System, (v) a director and the general manager of Liaoning Xikang, (vi) the director and the general manager of Shanghai Xikang, (vii) the director and the general manager of Ningbo Xikang, and (viii) the director and the general manager of Xikang WFOE. Ms. Zong currently does not hold any executive position in Neusoft Corporation or Neusoft Holdings.

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## DIRECTORS AND SENIOR MANAGEMENT

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Prior to joining our Group, Ms. Zong worked consecutively as (i) the deputy director of Shanghai Jing'an Community Health Service Management Center (上海市靜安區社區衛生服務管理中心) (formerly known as Shanghai Zhabei Community Health Service Management Center (上海市閘北區社區衛生服務管理中心)) from August 2007 to January 2010 and (ii) the standing deputy director of Shanghai Jing'an Health Technology and Information Center (上海市靜安區衛生技術信息中心) (formerly known as Shanghai Zhabei Health Technology and Information Center (上海市閘北區衛生科技與信息中心)) from February 2010 to July 2015. She has served as the vice chairman of the Health Records and Regional Health Informatization Professional Committee (健康檔案與區域衛生信息化專業委員會) of the Chinese Medical Information and Big Data Association (中國衛生信息與健康醫療大數據協會) since May 2019.

Ms. Zong obtained her bachelor's degree in clinical medicine in July 2002 from Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) (formerly known as Shanghai No.2 Medicine University (上海第二醫科大學)) in the PRC, and her master's degree in software engineering from Dalian University of Technology (大連理工大學) in the PRC in January 2009. Ms. Zong received her intermediate qualifications (中級資格) in obstetrics and gynecology, internal medicine and general medicine from National Health Commission of the People's Republic of China (中華人民共和國國家衛生健康委員會) in October 2002, June 2004 and June 2005, respectively. She was granted the title of Chief Physician (主任醫師) in general medicine from Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2013.

### Non-executive Directors

**Ms. LU Zhaoxia (盧朝霞)**, aged 64, has been a non-executive Director of our Company since July 15, 2011.

Ms. Lu served as a senior vice president from October 1995 to March 2019 of Neusoft Corporation and the chief operating officer from May 2008 to August 2009. She also served as an executive director of our joint venture company, Lanxi Healthcare Group (藍熙健康管理集團有限公司) from September 2014 to May 2018 and concurrently held various management positions in several subsidiaries of Lanxi Healthcare Group. Ms. Lu currently is (i) the president of 5G Intelligent Collaborative Innovation Research Institute (東軟集團5G智慧醫院協同創新研究院) and (ii) the chairperson of the board and the chief executive officer of Neusoft Hifly Medical Technology Co., Ltd. (東軟漢楓醫療科技有限公司) since March 2019.

Ms. Lu obtained her bachelor's and master's degree in computer science in July 1982 and in March 1986, respectively, from Northeastern University in the PRC. She received her title of professor at Northeastern University in September 1996.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Dr. WANG Nan (王楠)**, aged 46, has been a non-executive Director of our Company since November 18, 2015.

Dr. Wang has been working for Neusoft Corporation since August 1995. From August 1995 to May 2011, she served in Neusoft Corporation, in a consecutive order, as (i) the head of Java application department of the software center (軟件中心Java應用部), (ii) the deputy manager and the head of mobile Internet affair department (移動互聯網事業部) of Neusoft Middleware Technology Branch (東軟中間件技術分公司), (iii) the deputy director of Neusoft Automotive Advanced Technology Research Center (東軟汽車電子先行技術研究中心), (iv) the vice president and the director of strategic alliance and overseas business promotion department (戰略聯盟與海外業務推進事業部). She is currently (i) the senior vice president since May 2011, (ii) the secretary to the board since December 2011, and (iii) the chief investment officer since April 2021 in Neusoft Corporation. Aside from being a key member of Neusoft Corporation, Dr. Wang has also served as a non-executive director of Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3869.HK) since May 2017.

Dr. Wang obtained her bachelor's, master's and doctoral degrees in computer science from Northeastern University in the PRC in June 1994, in March 1997 and in July 2009, respectively. She received her title of intermediate computer engineer (中級計算機工程師) from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) on June 30, 2006. Dr. Wang became a member of Review Committee of Shanghai Stock Exchange in July 2019.

**Mr. PU Chengchuan (蒲成川)**, aged 35, has been a non-executive Director of our Company since December 2022.

Mr. Pu has served as a director of the private equity department of Hony Capital, focusing on the investment in medical and healthcare-related fields since May 2018. Mr. Pu also serves as an executive director of Hospital Corporation of China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3869.HK) since June 2021.

Mr. Pu obtained his bachelor's degree in science (physics) in July 2008 from Tsinghua University in the PRC, and his master's degree in finance in June 2012 from Peking University in the PRC.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Dr. CHEN Lianyong (陳連勇)**, aged 59, has been a non-executive Director of our Company since December 27, 2019.

Dr. Chen started and worked as a scientist in drug development of Schering Plough Research Institute from January 1993 to July 1997. He has been engaged in the consulting and investment activities in the field of biotech ever since. Dr. Chen is currently the founding managing partner and the chief executive officer of 6 Dimensions Capital, L.P. since August 2017. He has been an executive director and the general manager of Frontline BioVentures (Shanghai) Limited (崇凱創業投資諮詢(上海)有限公司) since September 2013. He holds directorships in a number of listed companies, including: (i) a director of Shanghai Hile Bio-Technology Co., Ltd. (上海海利生物技術股份有限公司) (stock code: 603718.SH) since December 2014, (ii) a director of Hua Medicine (華領醫藥) (stock code: 2552.HK) since January 2015, (iii) the chairperson of the board and an executive director of Ocumension Therapeutics (歐康維視生物) (stock code: 1477.HK) since May 2018, (iv) a director of CStone Pharmaceuticals (基石藥業) (stock code: 2616.HK) since August 2018, and (v) a director of 111, Inc. (NASDAQ: YI) since May 2019.

Dr. Chen obtained his bachelor's degree in chemistry from Peking University (北京大學) in PRC in July 1984. He received his doctoral degree in chemical sciences from the University of Louvain in Belgium in June 1991 and was a postdoctoral researcher in bioorganic chemistry at Massachusetts Institute of Technology in the United States from August 1991 to December 1992.

### Independent non-executive Directors

**Ms. CHEN Yan (陳艷)**, aged 60, has been an independent non-executive Director of our Company since [●].

With expertise in accounting and financial management, Ms. Chen has been a lecturer from May 1990 to July 1997, an associate professor from July 1997 to July 2005, a professor since July 2005, and a doctoral supervisor since July 2010 at Dongbei University of Finance and Economics (東北財經大學). From May 2018 till now, Ms. Chen has served as a director of Liaoning SC Technology Co., Ltd. (遼寧思凱科技股份有限公司). She has concurrently served as an independent non-executive director of Wanda Hotel Development Co., Ltd. (萬達酒店發展有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 169.HK) since March 2019. From May 2019 to September 2020, she served as an independent non-executive director of Zhangzidao Group Co., Ltd. (獐子島集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002069.SZ).

Ms. Chen obtained her bachelor's and master's degrees in economics in July 1984 and July 1998, respectively, and her doctoral degree in management with accounting major in June 2006, from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) in the PRC. Ms. Chen is a former member of the American Accounting Association, a former member of the Association of Certified Fraud Examiners, and a senior member of The Chinese Institute of Certified Public Accountants.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Dr. FANG Weiyi (方唯一)**, aged 65, has been an independent non-executive Director of our Company since [●].

Prior to joining our Group, Dr. Fang worked at The First Affiliated Hospital of Dalian Medical University (大連醫科大學附屬第一醫院), the chief physician (主任醫師) and head of department of cardiology (心內科主任) from June 1995 to November 2003. During his service at The First Affiliated Hospital of Dalian Medical University, Dr. Fang concurrently served as a professor and doctoral supervisor (博士生導師), and as the head of Institute of Cardiovascular Diseases (大連醫科大學附屬第一醫院心血管病研究所), from August 1999 to November 2003. He then served as the head of department of cardiology, doctoral supervisor and the head of teaching and research section of internal medicine department (內科教研室主任) from November 2003 to June 2017, and subsequently as the honorary head of department of cardiology from July 2017 to December 2018 at Shanghai Chest Hospital of Shanghai Jiaotong University (上海交通大學附屬胸科醫院). Dr. Fang has served as the chief hospital administrator of Hefei High-Tech Cardiovascular Hospital (合肥高新心血管病醫院) since December 2017 and as the honorary head of department of cardiology of Huadong Hospital Affiliated to Fudan University (復旦大學附屬華東醫院) since January 2019.

Dr. Fang obtained his doctoral degree in clinical cardiovascular medicine from Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院) (the successor of Tongji Medical University (同濟醫科大學)) in the PRC in June 1990. He received his titles of chief physician in June 1995 and professor in August 1999 from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳).

**Dr. YIN Guisheng (印桂生)**, aged 57, has been an independent non-executive Director of our Company since [●].

Prior to joining our Group, Dr. Yin has been teaching at College of Computer Science and Technology of Harbin Engineering University (哈爾濱工程大學計算機科學與技術學院) as, in a consecutive order, (i) a lecturer from April 1989 to September 1998, (ii) an associate professor from October 1998 to July 2000, and (iii) a professor since September 2003.

Dr. Yin obtained his bachelor's degree in computer application and technology in July 1986, his master's degree in computer application in April 1989, and his doctoral degree in control theory and control engineering in April 2000 from Harbin Engineering University (哈爾濱工程大學).

Save as disclosed above in this section, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there is no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management:

| Name                      | Age | Position   | Date of joining our Group | Date of appointment as a senior management | Roles and responsibilities   | Relationship with other Directors and senior management |
|---------------------------|-----|--|---------------------------|--|--|---|
| Ms. ZONG Wenhong<br>(宗文紅) | 53  | Executive Director, chief executive officer and member of the Strategy Committee | August 3, 2015            | December 15, 2015                          | Responsible for operational management and business based on overall strategy and development of our Group   | None  |
| Ms. WANG Shuli<br>(王淑力)   | 48  | Vice president and chief financial officer                                       | March 9, 2017             | March 14, 2017                             | Responsible for overall financial planning and management, corporate governance, information disclosure and investor relations management of our Group | None  |
| Mr. YANG Yuanwei<br>(楊元蔚) | 46  | Vice president   | July 3, 2017              | July 13, 2017                              | Responsible for business expansion of our Group  | None  |
| Mr. SHAO Shuli<br>(邵樹力)   | 46  | Vice president   | February 18, 2021         | February 22, 2021                          | Responsible for operation management of the cloud hospital of our Group  | None  |

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## DIRECTORS AND SENIOR MANAGEMENT

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**Ms. ZONG Wenhong (宗文紅)** is an executive Director and the chief executive officer of our Company. See “– Directors” in this section for her biographical details.

**Ms. WANG Shuli (王淑力)**, aged 48, has been the vice president and the chief financial officer of our Company since March 14, 2017.

Ms. Wang worked for Neusoft Corporation from May 1997 to February 2012, including, as the manager of financial center (財務中心), the director of investment management and auditing department (投資管理審計部), the chief accountant, the chief financial officer of Philips and Neusoft Medical Systems Co., Ltd. (東軟飛利浦醫療設備系統有限責任公司), and the director of business development department (企業發展部). From March 2012 to May 2013, Ms. Wang served as the vice president and the chief financial officer of our Group. Subsequently she served as a non-executive director and the chief financial officer from June 2013 to October 2016, and a vice president from June 2013 to February 2017 of Shenyang Machine Tool Co., Ltd. (瀋陽機床股份有限公司), a listed company on Shenzhen Stock Exchange (stock code: 000410.SZ).

Ms. Wang obtained her bachelor’s degree in industrial accounting in July 1993 and her master’s degree in management engineering in March 1996 from Northeastern University in the PRC. She received her title of Chief Accountant (高級會計師) from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) in December 2006. She is also a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since 1995.

**Mr. YANG Yuanwei (楊元蔚)**, aged 46, has been the vice president of our Company since July 13, 2017. He is also (i) a director of Chongqing Jinxi, (ii) the general manager of Xikang Smart Wearable Equipment, and (iii) a director of Heilongjiang Xikang.

Mr. Yang served as the vice president of San Meditech Technologies (Huzhou) Co., Ltd. (聖美迪諾醫療科技(湖州)有限公司) from May 2012 to December 2015. From January 2016 to June 2017, he subsequently served as the executive vice president of Zhejiang Helowin Medical Technology Co., Ltd. (浙江好絡維醫療技術有限公司).

Mr. Yang obtained his bachelor’s degree in economics from Chongqing Technology and Business University (重慶工商大學) (formerly known as Yuzhou University (渝州大學)) in the PRC in July 1999. He then received his master’s degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2012.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. SHAO Shuli (邵樹力)**, aged 46, has been the vice president of our Company since February 22, 2021.

Prior to joining our Group, Mr. Shao served as the chief advisor of government affairs department of Neusoft Corporation and the dean of the Neusoft Institute of Smart Governance (東軟智慧政務研究院) from April 2000 to February 2021. During his service, Mr. Shao acted as a consultant, software architecture designer and project manager and advised on various large-scale projects about informatization sponsored by the State Council and its ministries, commissions and bureaus.

Mr. Shao obtained his bachelor’s degree in machine manufacturing technology and equipment in July 1997 and his master’s degree in machine design and theory in March 2000 from Northeastern University in the PRC. He received his title of senior information system project manager (高級信息系統項目管理師) from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) in May 2013.

Save as disclosed above in this section, none of our senior management held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document.

### JOINT COMPANY SECRETARIES

**Ms. WANG Shuli (王淑力)**, was appointed as a joint company secretary of our Company on October 5, 2021. See “– Senior Management” in this section for her biographical details.

**Mr. WONG Wai Chiu (黃偉超)**, was appointed as a joint company secretary of our Company on May 27, 2021.

Mr. Wong is the associate director of SWCS Corporate Services Group (Hong Kong) Limited. He has extensive experience in compliance and listed companies secretarial work.

Mr. Wong obtained his bachelor’s degree in social science (Honours) from the University of Hong Kong, his Post-Graduate diploma in Hong Kong and the United Kingdom law from the Manchester Metropolitan University in the United Kingdom, his master’s degree in corporate governance from the Hong Kong Polytechnic University, his master’s degree in arbitration and dispute resolution from City University of Hong Kong and his master’s degree in applied science from the University of Technology Sydney in Australia. Mr. Wong is a fellow of Hong Kong Institute of Chartered Secretaries, a fellow of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustee Association and a Certified Trust Practitioner.

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## DIRECTORS AND SENIOR MANAGEMENT

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### REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to our Directors (without consideration of the employee incentive schemes) in respect of the financial years ended December 31, 2020, 2021 and 2022 was RMB2.6 million, RMB2.9 million and RMB2.5 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this document.

In the financial years ended December 31, 2020, 2021 and 2022, the total remuneration (including fees, salaries, allowances, retirement benefit scheme contributions and other benefits without taking into consideration of the employee incentive schemes) we paid to the five highest paid individuals amounted to RMB7.2 million, RMB9.9 million and RMB7.6 million, respectively.

Under the arrangement currently in force, we estimate the total remuneration (before tax) payable to Directors for the year ending December 31, 2023 will be RMB3.0 million.

During the Track Record Period, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or receivable by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed “Statutory and General Information – C. Further Information about our Directors – 1. Directors’ service contracts” in Appendix IV to this document.

### CORPORATE GOVERNANCE

#### Board Committees

##### *Audit Committee*

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review the financial information of the Group and consider issues relating to the external auditors and their appointment. Our audit committee comprises one non-executive Director, namely Dr. Chen Lianyong, and two

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## DIRECTORS AND SENIOR MANAGEMENT

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independent non-executive Directors, namely Ms. Chen Yan and Dr. Yin Guisheng. Ms. Chen Yan, being the chairperson of the committee, has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

### *Remuneration Committee*

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Group’s policy and structure for all remuneration of directors’ and senior management and on the establishment of a formal and transparent procedure for development remuneration policy. Our remuneration committee comprises one non-executive Director, namely Dr. Liu, and two independent non-executive Directors, namely Ms. Chen Yan and Dr. Fang Weiyi, with Ms. Chen Yan being the chairperson of the committee.

### *Nomination Committee*

We have established a nomination committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules, the primary duties of which are to review the structure, size and composition of the Board, assess the independence of the independent non-executive directors, and make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors. Our nomination committee comprises one non-executive Director, namely Dr. Liu Jiren, and two independent non-executive Directors, namely Dr. Fang Weiyi and Dr. Yin Guisheng. Dr. Liu Jiren has been duly appointed as the chairperson of the committee.

### *Strategy Committee*

We have established a strategy committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of such committee are to review and make suggestions for the development strategies and plans, major investments, financing and capital injection, and the major business reorganization, acquisition, merger and asset transfer of our Company. Our strategy committee comprises five Directors, namely Dr. Liu Jiren, Ms. Zong Wenhong, Dr. Chen Lianyong, Dr. Fang Weiyi and Dr. Yin Guisheng with Dr. Liu Jiren being the chairperson of the committee.

### **Share Option Schemes**

In order to incentivize our Directors, senior management and other participants for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the Share Option Schemes. For further details, see the section headed “Appendix IV – Statutory and General Information – D. Share Option Schemes” in this document.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Board Diversity Policy

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. We currently have five male and four female Directors. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

### Management Presence

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This will normally mean that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since our core business operations are principally located, managed and conducted in the PRC and will continue to base in the PRC, our executive Director and senior management members are and will continue to be based in the PRC. Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Management Presence in Hong Kong" for further details.

### COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor (the "Compliance Advisor") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in the [REDACTED] document; and
- (d) where the Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of its [REDACTED] securities or any other matters under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

### CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules after the [REDACTED].

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED], the following persons are expected to have an interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

| Name of Shareholder                         | Nature of Interest  | Ordinary Shares/Class A<br>Ordinary Shares/Class B<br>Ordinary Shares/Class C<br>Ordinary Shares held immediately after the Share Subdivision and before the [REDACTED] |                 | Shares held immediately following the completion of the [REDACTED] presuming the Assumptions |                 | Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is fully exercised and options granted under the Pre-[REDACTED] SOS are not exercised, and no options are granted under the Post-[REDACTED] SOS) |                 |
|---|---------------------|---|-----------------|--|-----------------|--|-----------------|
|   |                     | Number of Shares  | % (approximate) | Number of Shares   | % (approximate) | Number of Shares   | % (approximate) |
| Neusoft (HK) <sup>(1)</sup>                 | Beneficial interest | 199,213,210   | 27.94%          | 199,213,210  | [REDACTED]%     | 199,213,210  | [REDACTED]%     |
| Smartwave <sup>(2)</sup>                    | Beneficial interest | 76,500,000  | 10.73%          | 76,500,000   | [REDACTED]%     | 76,500,000   | [REDACTED]%     |
| Dongkong International Fifth <sup>(2)</sup> | Beneficial interest | 68,384,305  | 9.59%           | 68,384,305   | [REDACTED]%     | 68,384,305   | [REDACTED]%     |
| PICC P&C                                    | Beneficial interest | 102,000,000   | 14.30%          | 102,000,000  | [REDACTED]%     | 102,000,000  | [REDACTED]%     |
| Kingset Ventures                            | Beneficial interest | 86,700,000  | 12.16%          | 86,700,000   | [REDACTED]%     | 86,700,000   | [REDACTED]%     |
| First Care <sup>(3)</sup>                   | Beneficial interest | 64,728,790  | 9.08%           | 64,728,790   | [REDACTED]%     | 64,728,790   | [REDACTED]%     |
| Syn Invest <sup>(4)</sup>                   | Beneficial interest | 42,500,000  | 5.96%           | 42,500,000   | [REDACTED]%     | 42,500,000   | [REDACTED]%     |

*Notes:*

- (1) Immediately after the Share Subdivision and before the [REDACTED], Neusoft (HK) directly held 199,213,210 Shares of our Company. Neusoft (HK) was a wholly-owned subsidiary of Neusoft Corporation. By virtue of the SFO, Neusoft Corporation was deemed to have an interest in the Shares held by Neusoft (HK).

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## SUBSTANTIAL SHAREHOLDERS

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- (2) Immediately after the Share Subdivision and before the [REDACTED], Smartwave, Dongkong International Fifth and Dongkong International Seventh directly held 76,500,000 Shares, 68,384,305 Shares and 22,100,000 Shares of our Company, respectively, in an aggregate of 166,984,305 Shares. Since each of Smartwave, Dongkong International Fifth and Dongkong International Seventh is wholly owned by Neusoft Holdings through various intermediary entities, Neusoft Holdings was deemed to have an interest in an aggregate of 166,984,305 Shares of our Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh by virtue of the SFO.

Neusoft Holdings is a Sino-foreign joint venture with limited liability incorporated in the PRC. As of the Latest Practicable Date, Dalian Kang Ruidao Management was the single largest shareholder of Neusoft Holdings, holding 29.65% of its total shares. Dalian Neusoft Thinking Technology Development Co., Ltd. (大連東軟思維科技發展有限公司) (“**Neusoft Thinking Technology**”), the fourth largest shareholder of Neusoft Holdings, held approximately 10.82% of its total shares. Dalian Kang Ruidao Management held 99% of the total shares of Neusoft Thinking Technology. Therefore, Dalian Kang Ruidao Management effectively controlled approximately 40.47% of the total shares of Neusoft Holdings. By virtue of the SFO, Dalian Kang Ruidao Management was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

Dalian Kang Ruidao Management is a limited partnership incorporated in the PRC. As of the Latest Practicable Date, Tianjin Zengdao held 38.62% of the capital contribution by Dalian Kang Ruidao Management. Shenyang Kang Ruidao was the managing partner of both Dalian Kang Ruidao Management and Tianjin Zengdao. Dr. Liu (the Chairman and non-executive Director of the Company) was the representative of managing partner designated by Shenyang Kang Ruidao to Dalian Kang Ruidao Management, and he also held 64.23% partnership interest of Tianjin Zengdao and 51% equity interest in Shenyang Kang Ruidao. By virtue of the SFO, Shenyang Kang Ruidao, Tianjin Zengdao and Dr. Liu were deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

- (3) As of the Latest Practicable Date, First Care is owned as to 70% by Suzhou 6 Dimensions and 30% by Suzhou Frontline II. Suzhou 6 Dimensions is controlled by its general partner, Suzhou Tongyu. Suzhou Frontline II is controlled by its general partner, Suzhou Fuyan. Both of Suzhou Tongyu and Suzhou Fuyan are in turn controlled by Suzhou Yunchang, a company fully owned by Mr. CHEN Ziqing. By virtue of the SFO, Suzhou 6 Dimensions, Suzhou Frontline II, Suzhou Tongyu, Suzhou Fuyan, Suzhou Yunchang and Mr. Chen Ziqing were deemed to be interested in the Shares of the Company held by First Care.
- (4) As of the Latest Practicable Date, Syn Invest is wholly owned by Synergetic Hechuang. Synergetic Hechuang is managed by SIFMC and owned as to 80% by Shanghai Gopher Xinmian. SIFMC and Synergetic Hechuang are ultimately beneficially owned by Dr. Wanshou Li, and Shanghai Gopher Xinmian is controlled by Ms. Jingbo Wang. By virtue of the SFO, Synergetic Hechuang, SIFMC, Dr. Li, Shanghai Gopher Xinmian and Ms. Wang were deemed to be interested in the Shares of the Company held by Syn Invest.

Save as disclosed in this section, our Directors are not aware of any person who will, immediately prior to and following the completion of the [REDACTED], have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

### AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as of the date of this Document and immediately following the completion of the [REDACTED] presuming the Assumptions:

#### 1. Share capital as of the date of this Document

##### (a) *Authorised share capital*

| Number             | Description                               | Approximate<br>aggregate<br>nominal value<br>of shares |
|--------------------|---|--|
|                    |   | (US\$)   |
| 240,334,739        | Ordinary Shares of US\$0.001 each         | 240,334.739  |
| 17,340,000         | Class A Ordinary Shares of US\$0.001 each | 17,340.000   |
| 21,760,000         | Class B Ordinary Shares of US\$0.001 each | 21,760.000   |
| 20,565,261         | Class C Ordinary Shares of US\$0.001 each | 20,565.261   |
| <b>300,000,000</b> | <b>Total</b>                              | <b>300,000.000</b>                                     |

##### (b) *Issued share capital*

| Number             | Description                               | Approximate<br>aggregate<br>nominal value<br>of shares |
|--------------------|---|--|
|                    |   | (US\$)   |
| 82,960,000         | Ordinary Shares of US\$0.001 each         | 82,960.000   |
| 17,340,000         | Class A Ordinary Shares of US\$0.001 each | 17,340.000   |
| 21,760,000         | Class B Ordinary Shares of US\$0.001 each | 21,760.000   |
| 20,565,261         | Class C Ordinary Shares of US\$0.001 each | 20,565.261   |
| <b>142,625,261</b> | <b>Total</b>                              | <b>142,625.261</b>                                     |



## SHARE CAPITAL

2. Share capital immediately after the completion of the Share Subdivision and the [REDACTED]

(a) *Authorised share capital*

| Number               | Description                        | Approximate<br>aggregate<br>nominal value<br>of shares |
|----------------------|------------------------------------|--|
|                      |                                    | (US\$)   |
| 1,500,000,000        | Ordinary Shares of US\$0.0002 each | 300,000.000  |
| <b>1,500,000,000</b> | <b>Total</b>                       | <b>300,000.000</b>                                     |

(b) *Issued share capital*

| Number            | Description   | Approximate<br>aggregate<br>nominal value<br>of shares |
|-------------------|---|--|
|                   |   | (US\$)   |
| 713,126,305       | Ordinary Shares of US\$0.0002 each  | 142,625.261  |
| [REDACTED]        | Ordinary Shares of US\$0.0002 to be issued pursuant to the [REDACTED] presuming the Assumptions | [REDACTED]   |
| <b>[REDACTED]</b> | <b>Total</b>  | <b>[REDACTED]</b>                                      |

### ASSUMPTIONS

The above tables assume that the [REDACTED] becomes unconditional and the Shares are issued pursuant to the [REDACTED]. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

### RANKING

The [REDACTED] will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

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## SHARE CAPITAL

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### CIRCUMSTANCES WHERE GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Laws – Summary of the Constitution of the Company – 2. Articles of Association – 2.5 Alteration of capital” for further details.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate number of not more than the sum of:

- (i) 20% of the aggregate number of Shares of our Company in issue immediately following the completion of the [REDACTED] presuming the Assumptions; and
- (ii) the aggregate number of Shares of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company’s next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Further details of this general mandate are set out in the section headed “Appendix IV – Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated [●]” in this document.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase shares not exceeding in aggregate 10% of the total number of the Shares of our Company in issue or to be issued immediately following the completion of the [REDACTED] presuming the Assumptions.

This repurchase mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements under the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix IV – Statutory and General Information – A. Further Information about our Group – 5. Repurchase of Our Own Securities" in the document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- (ii) the expiration of period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when the mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

Further details of this Share repurchase mandate are set out in the section headed "Appendix IV – Statutory and General Information – A. Further Information about our Group – 5. Repurchase of Our Own Securities" in this document.

### SHARE OPTION SCHEMES

We adopted the Share Option Schemes for the purpose of incentivizing our Directors, senior management and other employees and to attract and retain suitable personnel to our Group. Further details of the Share Option Schemes are set out in the section headed "Appendix IV – Statutory and General Information – D. Share Option Schemes" in this document.

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## FINANCIAL INFORMATION

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*The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I – Accountant’s Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRS.*

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

### OVERVIEW

Our solutions encompass the following:

- **Cloud hospital platform services.** We offer platform construction and platform connection services to local governments, medical institutions and insurers.
- **Internet medical services.** Supported by our cloud hospital platforms, third-party and our own medical institutions can provide online and offline integrated Internet medical services consisting of online hospital services, remote medical services, smart family doctor services and Internet home care services.
- **Health management services.** We provide integrated health management services to institutional and individual clients through our own medical institutions.
- **Smart healthcare products.** We offer smart healthcare products embedded with IoT technology to local governments and primary medical institutions as well as other medical and wellness products to corporations and individuals.

Our revenue increased steadily from RMB503.0 million in 2020 to RMB614.3 million in 2021 and further to RMB687.4 million in 2022. Meanwhile, our gross profit increased from RMB134.1 million in 2020 to RMB170.2 million in 2021 and decreased slightly to RMB168.5 million in 2022.

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## FINANCIAL INFORMATION

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### BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA. Our consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit of loss, which are carried at fair value.

The preparation of our consolidated financial information 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 our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in note 4 of the Accountant’s Report in Appendix I.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

#### General Factors

Our business and results of operations are affected by general factors affecting the broader digital healthcare services market in China, which include:

- China’s overall economic growth and level of per capita disposable income;
- developments in medical reforms, laws and regulations, as well as governmental policies and initiatives affecting the digital healthcare services market in China;
- development in, and general acceptance of, digital healthcare, 5G, IoT, AI and other information technologies; and
- development of the national multi-tiered medical payment systems, including social medical insurance, commercial medical insurance and medical assistance schemes.

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### Company-Specific Factors

While our business is influenced by factors affecting the digital healthcare services market in China generally, our results of operations are also affected by company-specific factors, which include:

#### *Our Ability to Create Value for Participants in the Healthcare System*

Our ability to attract new healthcare participants, including local governments, medical institutions and professionals, insurers, patients and other healthcare consumers, depends on a number of factors, including our ability to offer solutions and services at competitive prices in response to their needs, the evaluation by existing participants on the performance of our solutions, our ability to maintain comparative strengths in relation to our competitors and the effectiveness of our marketing and sales efforts. Meanwhile, we face challenges in growing revenue from existing participants. We need to capture recurring or new demands from existing participants, and maintain our relationship with them through identifying more pressing industry needs and our network effects.

In addition, our ability to create value for the various participants and generate revenue is driven by the breadth and depth of our service and product offerings, the accuracy of our targeted marketing, and our technology capabilities and infrastructure, and our continued ability to develop scalable services and products that adapt to the quickly evolving industry trends and user preferences.

#### *Business Mix*

Our results of operations are also affected by our business mix. During the Track Record Period, we operated different business lines under our four business segments: (i) cloud hospital platform services; (ii) Internet medical services; (iii) health management services; and (iv) smart healthcare products. Our profitability varies across different business segments, depending on the type of products and services we offered under different contractual arrangements. Any change in the structure of revenue contribution from our business lines or change in the profitability of any business segment may have a corresponding impact on our overall profitability. The following tables set forth the revenue contribution by segment and the respective gross margins for the years indicated:

|  | Year ended December 31,   |                      |              |                           |                      |              |                           |                      |              |
|--|---------------------------|----------------------|--------------|---------------------------|----------------------|--------------|---------------------------|----------------------|--------------|
|  | 2020                      |                      |              | 2021                      |                      |              | 2022                      |                      |              |
|  | Revenue                   | Revenue contribution | Gross margin | Revenue                   | Revenue contribution | Gross margin | Revenue                   | Revenue contribution | Gross margin |
|  | <i>(RMB in thousands)</i> | (%)                  | (%)          | <i>(RMB in thousands)</i> | (%)                  | (%)          | <i>(RMB in thousands)</i> | (%)                  | (%)          |
| Cloud hospital platform services . . . . . | 78,611                    | 15.6                 | 38.1         | 127,967                   | 20.8                 | 46.4         | 122,369                   | 17.8                 | 46.2         |

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|                                      | Year ended December 31,   |                      |              |                           |                      |              |                           |                      |              |
|--------------------------------------|---------------------------|----------------------|--------------|---------------------------|----------------------|--------------|---------------------------|----------------------|--------------|
|                                      | 2020                      |                      |              | 2021                      |                      |              | 2022                      |                      |              |
|                                      | Revenue                   | Revenue contribution | Gross margin | Revenue                   | Revenue contribution | Gross margin | Revenue                   | Revenue contribution | Gross margin |
|                                      | <i>(RMB in thousands)</i> | (%)                  | (%)          | <i>(RMB in thousands)</i> | (%)                  | (%)          | <i>(RMB in thousands)</i> | (%)                  | (%)          |
| Internet medical services . . . . .  | 55,057                    | 11.0                 | 7.4          | 93,407                    | 15.2                 | 7.9          | 137,834                   | 20.1                 | 12.2         |
| Health management services . . . . . | 222,465                   | 44.2                 | 32.4         | 240,918                   | 39.2                 | 36.7         | 209,199                   | 30.4                 | 37.1         |
| Smart healthcare products . . . . .  | 146,875                   | 29.2                 | 19.0         | 152,010                   | 24.8                 | 9.9          | 218,013                   | 31.7                 | 8.0          |
| <b>Total . . . . .</b>               | <b>503,008</b>            | <b>100.0</b>         | <b>26.7</b>  | <b>614,302</b>            | <b>100.0</b>         | <b>27.7</b>  | <b>687,415</b>            | <b>100.0</b>         | <b>24.5</b>  |

The gross margin represents our gross profit as a percentage of our revenue from contracts with customers. The level of our gross margins is largely affected by our business mix. For details on our gross margins during the Track Record Period, see “– Consolidated Statements of Comprehensive Income – Gross Profit and Gross Margin.”

### *Our Investment in Technology, People and Infrastructure*

We have made, and will continue to make, significant investments in our technology infrastructure and data capabilities to attract patients and other healthcare consumers, healthcare providers, local governments, medical insurers and other healthcare participants, enhance service quality and experience and expand the capabilities and scope of our cloud hospital platforms. We expect our investments will include expanding our Internet medical service offerings, increasing sales and marketing efforts as well as executing our expansion strategy. Our operating leverage and margin levels enable us to continue to invest in our people, particularly medical professionals, engineers and product management personnel, as well as in our underlying infrastructure and technology capabilities in mobile Internet, IoT, cloud computing, big data and AI.

### **CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES**

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

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 4 of the Accountant’s Report in Appendix I to this document. The preparation of our financial statements requires our management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and

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liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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

### **Revenue Recognition**

Revenue is recognized when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the applicable laws, 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 our performance:

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

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

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

If the contracts involve the sale of multiple goods, goods followed by relevant 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, we present 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.



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

Receivable is recorded when we have 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 the costs we would not have incurred if the contract had not been obtained. We capitalize as an asset incremental costs of obtaining a contract with a customer if we expect 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 revenue to which the asset relates is recognized.

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

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

### *Cloud Hospital Platform Services*

Cloud hospital platform services consist primarily of project-based platform services for customers 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, and 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, revenue from project-based platform services is recognized at a point in time when the combined output is inspected and accepted by the customer:

- the customer does not simultaneously receive and consume benefits because another entity would need to substantially re-perform our performance completed to date;
- our performance does not under the customer's control as it is created; and
- although our performance creates an asset without alternative use, we do not have an enforceable right to payment for performance completed to date in accordance with the contracts signed.

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In addition, we also provide operation and maintenance services to customers, and revenue is recognized over time on a straight line basis since the customer simultaneously receives and consumes the benefits provided by us.

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

We record the non-refundable prepayment from customers as contract liabilities.

### Internet Medical Services

We provide Internet medical services mainly consisting of online hospital services and remote medical services during the Track Recording Period through our cloud-based information infrastructures to the customer including medical institutions, individual customers and enterprises. Revenue from the Internet medical services is recognized at the point when the services have been fulfilled.

### Health Management Services

We provide 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 the relevant service has been fulfilled. We record the prepayment from customers as contract liabilities, while records the outstanding considerations as trade receivables.

### *Smart Healthcare Products*

We provide a variety of smart healthcare products during the Track Record Period to medical institutions, enterprises and individual customers. We are primarily responsible for providing smart healthcare products to the customers being a principal, and revenue is recognized at a point when the smart healthcare products are installed and accepted by the customer. We record the prepayment from customers as contract liabilities, while records the outstanding considerations as trade receivables or contract assets. For certain contracts of which we transfer control of smart healthcare products to the customers in advance of receiving consideration, we record contract assets when the outstanding consideration is subject to certain conditions other than the passage of time. Contract assets become trade receivables when our right to considerations is unconditional if only the passage of time is required before payment of the consideration is due. For some of the smart healthcare products sales, we perform as an agent and has no control to the products before it is transferred to the customers, and the relevant revenue is presented in the net amount.

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### **Impairment Assessment of Trade Receivables, Contract Assets and Long-Term Trade Receivables**

The Group applies the HKFRS 9 simplified approach to measuring Expected Credit Loss ("ECL") for the trade receivables, contract assets and long-term trade receivables.

We have used provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates used are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on our 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 and contract assets with significant balances and credit impaired are assessed for ECL individually.

The ECL for the long-term trade receivables which are used a lifetime expected loss allowance are based on historical experience of the Group and comparable companies for the long-term trade receivables.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and our trade receivables, contract assets and long-term trade receivables is disclosed in note 22, note 5 and note 19 of the Accountant's Report in Appendix I.

### **Recognition of Share-Based Compensation Expenses**

We operate equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for our equity instruments. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

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The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. For details, see note 2.23 of the Accountant's Report in Appendix I.

Our 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 our Directors in applying the methods.

### **Current and Deferred Income Taxes**

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.

#### ***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 our 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.

#### ***Deferred Income Tax***

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

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

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

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

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

### Financial Liability for Redeemable Rights

Redeemable rights issued by our Company to certain investors contain an obligation to purchase its own shares upon occurrence of certain future events, such redeemable rights will be automatically cancelled upon the [REDACTED].

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

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

The Financial liabilities are classified as non-current liabilities if our Company doesn't need to redeem for at least 12 months after the end of the Track Record Period.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

|                                      | Year ended December 31,   |                |                |
|--------------------------------------|---------------------------|----------------|----------------|
|                                      | 2020                      | 2021           | 2022           |
|                                      | <i>(RMB in thousands)</i> |                |                |
| Revenue from contracts               |                           |                |                |
| with customers . . . . .             | 503,008                   | 614,302        | 687,415        |
| Cost of sales and services . . . . . | (368,900)                 | (444,073)      | (518,965)      |
| <b>Gross profit . . . . .</b>        | <b>134,108</b>            | <b>170,229</b> | <b>168,450</b> |

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|   | Year ended December 31,   |                  |                  |
|---|---------------------------|------------------|------------------|
|   | 2020                      | 2021             | 2022             |
|   | <i>(RMB in thousands)</i> |                  |                  |
| Selling and marketing expenses . . . . .                                      | (96,728)                  | (135,777)        | (126,066)        |
| Research and development expenses . . . . .                                   | (66,761)                  | (86,421)         | (78,959)         |
| Administrative expenses . . . . .   | (113,474)                 | (213,275)        | (139,396)        |
| Net impairment (losses)/reversal on financial assets . . .                    | (23,685)                  | (23,629)         | (36,652)         |
| Other income . . . . .  | 34,265                    | 14,365           | 18,926           |
| Other (losses)/gains – net . . . . .  | (23,682)                  | 20,912           | (1,780)          |
| <b>Operating loss . . . . .</b>   | <b>(155,957)</b>          | <b>(253,596)</b> | <b>(195,477)</b> |
| Finance income . . . . .  | 1,051                     | 1,209            | 4,811            |
| Finance costs . . . . .   | (44,206)                  | (36,312)         | (42,880)         |
| Finance costs – net . . . . .   | (43,155)                  | (35,103)         | (38,069)         |
| Share of losses from<br>investments accounted for using the equity method . . | (3,909)                   | (4,148)          | (4,762)          |
| <b>Loss before income tax . . . . .</b>                                       | <b>(203,021)</b>          | <b>(292,847)</b> | <b>(238,308)</b> |
| Income tax (expense)/credit . . . . .   | 4,477                     | (1,560)          | (5,056)          |
| <b>Loss for the year . . . . .</b>  | <b>(198,544)</b>          | <b>(294,407)</b> | <b>(243,364)</b> |
| <b>Loss attributable to:</b>  |                           |                  |                  |
| Owners of the Company . . . . .   | (196,203)                 | (296,301)        | (241,962)        |
| Non-controlling interests . . . . .   | (2,341)                   | 1,894            | (1,402)          |

### Non-HKFRS Measures

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRS, we use adjusted net loss for the year (non-HKFRS measure) and adjusted net loss margin (non-HKFRS measure) as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. We believe that the presentation of such non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain items, such as share-based compensation expenses and interest expenses for financial liability for redeemable rights. The use of non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of, our results of operations or financial condition as reported under the HKFRS. In addition, non-HKFRS measures may be defined differently from similar terms used by other companies.

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The following table reconciles our adjusted net loss for the year (non-HKFRS measure) with the most directly comparable financial measure in accordance with HKFRS, for the years indicated:

|   | Year ended December 31,   |                  |                  |
|---|---------------------------|------------------|------------------|
|   | 2020                      | 2021             | 2022             |
|   | <i>(RMB in thousands)</i> |                  |                  |
| <b>Loss for the year</b> . . . . .  | <b>(198,544)</b>          | <b>(294,407)</b> | <b>(243,364)</b> |
| Add: Share-based compensation expenses . . . . .                                  | 34,044                    | 153,560          | 79,176           |
| Add: Interest expenses for financial liability for<br>redeemable rights . . . . . | 15,834                    | 15,562           | 17,162           |
| <b>Adjusted net loss for the year<br/>(non-HKFRS measure)</b> . . . . .           | <b>(148,666)</b>          | <b>(125,285)</b> | <b>(147,026)</b> |

The non-HKFRS measure, adjusted net loss for the year, used by us has been adjusted for (i) share-based compensation expenses and (ii) interest expenses for financial liability for redeemable rights. In particular, the share-based compensation expenses are a non-cash expense arising from granting share-based awards to selected employees. Meanwhile, the redeemable rights arose from an investment agreement entered into by the Company and a certain investor in round C investments, pursuant to which the Company has an obligation to repurchase its ordinary shares issued to this investor in round C investments. The redeemable rights are recognized as a financial liability and will be automatically cancelled upon the [REDACTED]. We are not expected to have any additional interest expenses for financial liability for redeemable rights.

The following table sets forth our adjusted net loss margin (non-HKFRS measure) for the years indicated:

|   | Year ended December 31, |        |        |
|---|-------------------------|--------|--------|
|   | 2020                    | 2021   | 2022   |
|   | <i>(%)</i>              |        |        |
| Adjusted net loss margin (non-HKFRS measure) <sup>(1)</sup> . . . . . | (29.6)                  | (20.4) | (21.4) |

(1) Adjusted net margin equals adjusted net loss for the year (non-HKFRS measure) divided by revenue for the year and multiplied by 100%. The use of the non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the HKFRS.

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Our adjusted net loss (non-HKFRS measure) decreased from RMB148.7 million in 2020 to RMB125.3 million in 2021, and increased to RMB147.0 million in 2022. The increase in our adjusted net loss (non-HKFRS measure) in 2022 was mainly due to a slight decrease in our gross profit and an increase in our net foreign exchange losses, despite decreases in our total operating expenses excluding share-based compensation expenses in 2022 compared to 2021. Our adjusted net loss margin (non-HKFRS measure) decreased from 29.6% in 2020 to 20.4% in 2021, primarily due to a decrease in the adjusted net loss (non-HKFRS measure) and an increase in the revenue. Our adjusted net loss margin (non-HKFRS measure) increased slightly from 20.4% in 2021 to 21.4% in 2022, mainly due to an increase in the adjusted net loss (non-HKFRS measure), as a result of the reasons stated above.

### Revenue from Contracts with Customers

During the Track Record Period, we generated revenue from four business segments, namely: (i) cloud hospital platform services; (ii) Internet medical services; (iii) health management services; and (iv) smart healthcare products.

The following table sets forth a breakdown of our revenue from contracts with customers by business segment for the years indicated:

|  | Year ended December 31,                           |              |                |              |                |              |
|--|---|--------------|----------------|--------------|----------------|--------------|
|  | 2020  |              | 2021           |              | 2022           |              |
|  | Amount  | %            | Amount         | %            | Amount         | %            |
|  | <i>(RMB in thousands, except for percentages)</i> |              |                |              |                |              |
| Cloud hospital platform services . . . . . | 78,611  | 15.6         | 127,967        | 20.8         | 122,369        | 17.8         |
| Internet medical services . . . . .        | 55,057  | 11.0         | 93,407         | 15.2         | 137,834        | 20.1         |
| Health management services . . . . .       | 222,465   | 44.2         | 240,918        | 39.2         | 209,199        | 30.4         |
| Smart healthcare products . . . . .        | 146,875   | 29.2         | 152,010        | 24.8         | 218,013        | 31.7         |
| <b>Total . . . . .</b>                     | <b>503,008</b>                                    | <b>100.0</b> | <b>614,302</b> | <b>100.0</b> | <b>687,415</b> | <b>100.0</b> |

Our revenue from contracts with customers from each of our business segments generally increased during the Track Record Period, except that: (i) revenue from cloud hospital platform services decreased slightly from RMB128.0 million in 2021 to RMB122.4 million in 2022, mainly because certain milestones were not achieved on time due to adverse impacts by the COVID-19 pandemic in 2022, which delayed the revenue recognition. During the COVID-19 pandemic, we also experienced heightened competition as certain market participants adopted aggressive pricing strategies when faced with difficult market conditions; and (ii) revenue from health management services decreased by 13.2% from RMB240.9 million in 2021 to RMB209.2 million, mainly because we suspended the operations of eight medical institutions for different durations in the first three quarters of 2022 due to the COVID-19 outbreaks in



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Shanghai, Shenyang, Chongqing, Xi'an, Hefei, Dandong, Fuzhou and Chendu in such period. During such period, customer demand for routine health management services such as health check-ups reduced, resulting in more intensive competition for customer base among health management service providers.

We experienced a gradual change in business mix during the Track Record Period. In 2020, 2021 and 2022, health management services and smart healthcare products accounted for 73.4%, 64.0% and 62.1% of our total revenue, respectively. Meanwhile, cloud hospital platform services and Internet medical services together accounted for 26.6%, 36.0% and 37.9% of our total revenue, respectively, showing an increasing revenue contribution during the Track Record Period.

### *Cloud Hospital Platform Services*

We provide platform construction and platform connection services to local governments, medical institutions and insurers. In 2020, 2021 and 2022, our revenue generated from our cloud hospital platform services represented 15.6%, 20.8% and 17.8% of our total revenue, respectively.

### *Internet Medical Services*

We provide Internet medical services to facilitate medical institutions on our platform to better serve patients with convenient and integrated online-to-offline healthcare services. The Internet medical services are either provided by medical professionals at or registered with (i) medical institutions owned by us, or the "proprietary model," or (ii) third-party medical institutions, or the "platform model". We typically receive service fee income from patients on a gross basis for services rendered by the former, while earning a platform management fee as a percentage of consultation and other service fees received by third-party medical institutions from patients through our platforms. In 2020, 2021 and 2022, our revenue generated from our Internet medical services represented 11.0%, 15.2% and 20.1% of our total revenue, respectively.

### *Health Management Services*

We offer integrated health management services through our own medical institutions directly to individual and institutional clients. Our institutional clients are primarily government agencies, corporations, banks and insurers, who purchase our services for the benefit of their employees. We typically earn service fee revenue for such services.

In 2020, 2021 and 2022, our revenue generated from our health management services represented 44.2%, 39.2% and 30.4% of our total revenue, respectively.

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### *Smart Healthcare Products*

We offer smart healthcare products embedded with IoT technology to medical institutions, businesses and individuals. We also offer third-party medical equipment, devices and other products to medical institutions and individuals. We typically generate revenue from sales of these products. In 2020, 2021 and 2022, our revenue generated from our smart healthcare products represented 29.2%, 24.8% and 31.7% of our total revenue, respectively.

### **Cost of Sales and Services**

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

|  | Year ended December 31,                           |              |                |              |                |              |
|--|---|--------------|----------------|--------------|----------------|--------------|
|  | 2020  |              | 2021           |              | 2022           |              |
|  | Amount  | % of revenue | Amount         | % of revenue | Amount         | % of revenue |
|  | <i>(RMB in thousands, except for percentages)</i> |              |                |              |                |              |
| Cost of sales of hardware,<br>software and others & raw materials used . . . . . | 275,737   | 54.8         | 350,891        | 57.1         | 449,035        | 65.3         |
| Employee benefits expenses . . . . .   | 47,133  | 9.4          | 61,980         | 10.1         | 43,557         | 6.3          |
| Depreciation of property, plant and equipment . . . . .                          | 18,309  | 3.6          | 8,745          | 1.4          | 6,430          | 0.9          |
| Depreciation of right-of-use assets . . . . .                                    | 7,609   | 1.5          | 6,133          | 1.0          | 5,026          | 0.7          |
| Travelling, entertainment and general office expenses                            | 4,197   | 0.8          | 3,353          | 0.5          | 2,923          | 0.4          |
| Short-term leases expenses . . . . .   | 7,066   | 1.4          | 4,452          | 0.7          | 7,694          | 1.1          |
| Other expenses . . . . .   | 8,849   | 1.8          | 8,519          | 1.4          | 4,300          | 0.6          |
| <b>Total . . . . .</b>   | <b>368,900</b>                                    | <b>73.3</b>  | <b>444,073</b> | <b>72.2</b>  | <b>518,965</b> | <b>75.3</b>  |

Our cost of sales primarily consists of cost of sales of hardware, software and others as well as raw materials used and employee benefits expenses.

Cost of sales of hardware, software and others as well as raw materials used mainly refer to direct costs incurred for operating hardware, software and other equipment as well as costs for purchasing raw materials. The cost of sales of hardware, software and others as well as raw materials used contributed to a substantial portion of our cost of sales and services, representing 74.7%, 79.0% and 86.5% of our total cost of sales and services, respectively, in 2020, 2021 and 2022.

Employee benefits expenses mainly relate to our medical professionals in our health management services.

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

|  | Year ended December 31,                           |              |                |              |                |              |
|--|---|--------------|----------------|--------------|----------------|--------------|
|  | 2020  |              | 2021           |              | 2022           |              |
|  | Amount  | %            | Amount         | %            | Amount         | %            |
|  | <i>(RMB in thousands, except for percentages)</i> |              |                |              |                |              |
| Cloud hospital platform services . . . . . | 48,645  | 13.2         | 68,536         | 15.4         | 65,830         | 12.7         |
| Internet medical services . . . . .        | 50,982  | 13.8         | 86,038         | 19.4         | 121,021        | 23.3         |
| Health management services . . . . .       | 150,295   | 40.8         | 152,518        | 34.3         | 131,606        | 25.4         |
| Smart healthcare products . . . . .        | 118,978   | 32.2         | 136,981        | 30.9         | 200,508        | 38.6         |
| <b>Total . . . . .</b>                     | <b>368,900</b>                                    | <b>100.0</b> | <b>444,073</b> | <b>100.0</b> | <b>518,965</b> | <b>100.0</b> |

### Gross Profit and Gross Margin

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

|  | Year ended December 31,                           |                  |                |                  |                |                  |
|--|---|------------------|----------------|------------------|----------------|------------------|
|  | 2020  |                  | 2021           |                  | 2022           |                  |
|  | Gross profit                                      | Gross margin (%) | Gross profit   | Gross margin (%) | Gross profit   | Gross margin (%) |
|  | <i>(RMB in thousands, except for percentages)</i> |                  |                |                  |                |                  |
| Cloud hospital platform services . . . . . | 29,966  | 38.1             | 59,431         | 46.4             | 56,539         | 46.2             |
| Internet medical services . . . . .        | 4,075   | 7.4              | 7,369          | 7.9              | 16,813         | 12.2             |
| Health management services . . . . .       | 72,170  | 32.4             | 88,400         | 36.7             | 77,593         | 37.1             |
| Smart healthcare products . . . . .        | 27,897  | 19.0             | 15,029         | 9.9              | 17,505         | 8.0              |
| <b>Total . . . . .</b>                     | <b>134,108</b>                                    | <b>26.7</b>      | <b>170,229</b> | <b>27.7</b>      | <b>168,450</b> | <b>24.5</b>      |

Our gross profit represents our revenue from contracts with customers less our cost of sales and services. Our gross margin represents our gross profit as a percentage of our revenue from contracts with customers. The level of our overall gross margin is largely affected by our business mix.

Our cloud hospital platform services segment had relatively high gross margins during the Track Record Period, mainly because the costs of this segment, comprising the costs for development and connection of cloud hospital platforms, are shared among different platforms given the replicability and scalability of our cloud hospital platform technology infrastructure. We generally adopt a cost-plus pricing strategy for the cloud hospital platform services. For details, see “Business – Our Solutions – Cloud Hospital Platform Services.”

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Our Internet medical services segment had relatively lower gross margins during the Track Record Period, mainly because we adopted competitive pricing strategies such as free online consultation to compete in the market. As we gradually reduced the portion of free services and offered fewer discounts during the Track Record Period, this has contributed to general increases in the gross profit margin of the Internet medical services segment. Meanwhile, the split between revenue received under the proprietary model and revenue received under the platform model also affects our gross profit margin for this segment. We recognize revenue received under the proprietary model on a gross basis, which generally has lower margins than revenue received under the platform model as it is recognized on a net basis.

Our health management services segment has generally relatively higher gross margins during the Track Record Period, mainly because we incurred certain costs such as employee benefits expenses of medical professionals, depreciation of medical equipment and lease expenses, which are largely considered as fixed costs. Such fixed costs remained relatively stable regardless of the changes in the scale of our health management services business.

Our smart healthcare products segment had relatively low gross margins during the Track Record Period, mainly due to our competitive pricing strategies to increase our market presence with primary medical institutions, which, we believe, will allow us to generate additional synergy from the cloud hospital platform services and Internet medical services and health management services in the long term.

### Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of employee benefits expenses, travelling and entertainment and general office expenses. The following table sets forth a breakdown of our selling and marketing expenses for the years indicated:

|   | Year ended December 31,                           |              |                |              |                |              |
|---|---|--------------|----------------|--------------|----------------|--------------|
|   | 2020  |              | 2021           |              | 2022           |              |
|   | Amount  | %            | Amount         | %            | Amount         | %            |
|   | <i>(RMB in thousands, except for percentages)</i> |              |                |              |                |              |
| Employee benefits expenses . . . . .                            | 69,233  | 71.5         | 79,200         | 58.3         | 78,504         | 62.3         |
| Raw materials used . . . . .                                    | 385   | 0.4          | 300            | 0.2          | 141            | 0.1          |
| Share-based compensation expenses . .                           | 3,198   | 3.3          | 28,244         | 20.8         | 18,095         | 14.4         |
| Travelling, entertainment and general office expenses . . . . . | 10,481  | 10.8         | 14,377         | 10.6         | 10,065         | 8.0          |
| Depreciation of property, plant and equipment . . . . .         | 3,536   | 3.7          | 3,624          | 2.7          | 3,098          | 2.5          |
| Depreciation of right of use assets . . .                       | 2,491   | 2.6          | 2,782          | 2.1          | 2,943          | 2.3          |
| Short-term leases expenses . . . . .                            | 2,603   | 2.7          | 1,692          | 1.2          | 1,388          | 1.1          |
| Other expenses . . . . .  | 4,801   | 5.0          | 5,558          | 4.1          | 11,832         | 9.3          |
| <b>Total . . . . .</b>  | <b>96,728</b>                                     | <b>100.0</b> | <b>135,777</b> | <b>100.0</b> | <b>126,066</b> | <b>100.0</b> |

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Our employee benefits expenses mainly related to our personnel involved in business development and sales and marketing, representing 71.5%, 58.3% and 62.3% of our total selling and marketing expenses, respectively, in 2020, 2021 and 2022. Our share-based compensation expenses mainly included the Pre-[REDACTED] SOS Options granted to our selling and marketing employees. Our travelling, entertainment and general office expenses mainly included fees incurred for business trips and hospitality relating to our business development activities.

### Research and Development Expenses

Our research and development expenses primarily consist of employee benefits expenses and travelling, entertainment, service fee and general office expenses. The following table sets forth a breakdown of our research and development expenses for the years indicated:

|   | Year ended December 31,                           |              |               |              |               |              |
|---|---|--------------|---------------|--------------|---------------|--------------|
|   | 2020  |              | 2021          |              | 2022          |              |
|   | Amount  | %            | Amount        | %            | Amount        | %            |
|   | <i>(RMB in thousands, except for percentages)</i> |              |               |              |               |              |
| Employee benefits expenses . . . . .  | 51,905  | 77.7         | 55,595        | 64.3         | 50,545        | 64.0         |
| Raw materials used . . . . .  | 334   | 0.5          | 809           | 0.9          | 407           | 0.5          |
| Share-based compensation expenses . .   | 2,889   | 4.3          | 17,451        | 20.2         | 8,445         | 10.7         |
| Travelling, entertainment, service fee<br>and general office expenses . . . . . | 6,736   | 10.1         | 9,238         | 10.7         | 16,063        | 20.3         |
| Depreciation of property, plant and<br>equipment . . . . .                      | 1,212   | 1.8          | 1,002         | 1.2          | 551           | 0.7          |
| Depreciation of right-of-use assets . . .                                       | –   | –            | 734           | 0.8          | 1,821         | 2.3          |
| Short-term leases expenses . . . . .  | 1,857   | 2.8          | 1,103         | 1.3          | 464           | 0.6          |
| Other expenses . . . . .  | 1,828   | 2.8          | 489           | 0.6          | 663           | 0.9          |
| <b>Total . . . . .</b>  | <b>66,761</b>                                     | <b>100.0</b> | <b>86,421</b> | <b>100.0</b> | <b>78,959</b> | <b>100.0</b> |

Our employee benefits expenses mainly relate to our personnel involved in research and development, product operation and technical support, representing 77.7%, 64.3% and 64.0% of our total research and development expenses, respectively, in 2020, 2021 and 2022. Our share-based compensation expenses mainly include the Pre-[REDACTED] SOS Options granted to our research and development employees. Our travelling, entertainment, service fee and general office expenses mainly include fees incurred for business trips by our employees for the purposes of research and development, and service fees incurred for outsourced research and development.

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### Administrative Expenses

Our administrative expenses primarily consist of employee benefits expenses, share-based compensation expenses and depreciation of right-of-use assets. The following table sets forth a breakdown of our administrative expenses for the years indicated:

|   | Year ended December 31,                           |              |                |              |                |              |
|---|---|--------------|----------------|--------------|----------------|--------------|
|   | 2020  |              | 2021           |              | 2022           |              |
|   | Amount  | %            | Amount         | %            | Amount         | %            |
|   | <i>(RMB in thousands, except for percentages)</i> |              |                |              |                |              |
| Employee benefits expenses . . . . .                            | 42,074  | 37.1         | 47,701         | 22.4         | 50,900         | 36.5         |
| Raw materials used . . . . .                                    | 596   | 0.5          | 934            | 0.4          | 506            | 0.4          |
| Share-based compensation expenses . . . . .                     | 27,957  | 24.6         | 107,866        | 50.6         | 52,636         | 37.8         |
| Travelling, entertainment and general office expenses . . . . . | 6,422   | 5.7          | 6,072          | 2.8          | 4,200          | 3.0          |
| Depreciation of property, plant and equipment . . . . .         | 7,831   | 6.9          | 4,147          | 1.9          | 2,059          | 1.5          |
| Depreciation of right-of-use assets . . . . .                   | 15,299  | 13.5         | 13,821         | 6.5          | 11,306         | 8.1          |
| Short-term leases expenses . . . . .                            | 5,840   | 5.1          | 5,448          | 2.6          | 3,592          | 2.6          |
| [REDACTED] expenses . . . . .                                   | [REDACTED]  | [REDACTED]   | [REDACTED]     | [REDACTED]   | [REDACTED]     | [REDACTED]   |
| Other expenses . . . . .  | 7,455   | 6.6          | 9,656          | 4.5          | 4,637          | 3.2          |
| <b>Total . . . . .</b>  | <b>113,474</b>                                    | <b>100.0</b> | <b>213,275</b> | <b>100.0</b> | <b>139,396</b> | <b>100.0</b> |

Our employee benefits expenses mainly relate to our personnel involved in administrative and support departments, representing 37.1%, 22.4% and 36.5% of our total administrative expenses, respectively, in 2020, 2021 and 2022. Our share-based compensation expenses mainly include the Pre-[REDACTED] SOS Options granted to our administrative employees. Our depreciation of right-of-use assets mainly represents the depreciation of our lease contracts recognized as right-of-use assets under HKFRS 16 relating to general and administrative purposes.

### Net Impairment Losses/Reversal on Financial Assets

Our net impairment losses on financial assets mainly refer to provisions for impairment losses or reversal for contract assets, trade receivables, other receivables and long-term trade receivables based on expected credit loss.

Our net impairment losses remained relatively stable in 2020 and 2021, which was primarily a result of increased allowance for impairment of trade receivables in line with the growth of our business, offset by a reversal of the impairment of other receivables.

The increase of net impairment losses in 2022, compared to 2021, was primarily a result of increased allowance for impairment of trade receivables mainly due to the temporary payment delay from government customers of our cloud hospital platform services and smart healthcare products as they prioritized combating COVID-19 in their resource allocation. See “– Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables.”

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### Other Income

Our other income primarily consists of government grants. The following table sets forth a breakdown of our other income for the years indicated:

|  | Year ended December 31,   |               |               |
|--|---------------------------|---------------|---------------|
|  | 2020                      | 2021          | 2022          |
|  | <i>(RMB in thousands)</i> |               |               |
| Government grants . . . . .                                | 32,251                    | 13,737        | 17,811        |
| Value added tax (“VAT”) refund and VAT reduction . . . . . | 840                       | –             | 775           |
| Investment income on wealth management products . . . . .  | 829                       | 306           | –             |
| Refund of service fee for<br>withholding IIT . . . . .     | 123                       | 73            | 106           |
| Additional deduction of input VAT . . . . .                | 102                       | 207           | 233           |
| Other items . . . . .                                      | 120                       | 42            | 1             |
| <b>Total . . . . .</b>                                     | <b>34,265</b>             | <b>14,365</b> | <b>18,926</b> |

Our government grants include funds granted to support the establishment of cloud hospitals and elderly care, among other things, and awards for technological innovation enterprises. The fluctuation in our government grants during the Track Record Period was mainly related to the completion of projects for which we were entitled to government grants. In 2020, 2021 and 2022, we had 11, 6 and 5 completed projects, respectively, for which we recognized government grants in an amount that exceeded RMB100,000 each. The aggregate amount of government grants received in connection with such projects accounted for more than 95% of the total government grants we recognized under other income in each of 2020, 2021 and 2022. However, such government grants are not recurring in nature. See “Risk Factors – Risks Relating to Our Business and Industry – The government grants that we enjoy in the may be altered or terminated” for details on related risks.

We also received investment income arising from wealth management products during the Track Record Period. We purchase wealth management products with our cash on hand. These products were issued by a large reputable commercial bank in China. The underlying financial assets of the wealth management products in which we invested during the Track Record Period are primarily low-risk fixed-income instrument, and the balance of such wealth management products as of December 31, 2020 was not principal-guaranteed, and such products have no fixed maturity and can be redeemed at our preference. We have adopted investment and treasury policies and internal control measures to review and monitor our investment risks. Our investment decisions are made after due and careful consideration of a number of factors, including market and investment conditions, economic developments, investment cost, duration of investment and the risks expected to be involved and the expected returns.

Our wealth management investments were measured at fair value through profit or loss during the Track Record Period. The fair value of our wealth management investments are based on management judgment and are within Level 3 of the fair value hierarchy, and we recognize changes in such fair values through profit or loss.

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Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, are disclosed in note 3.3 of the Accountant’s Report in Appendix I to this document, which was issued by the Reporting Accountant in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

In relation to the valuation of the Level 3 financial assets, our management has carefully reviewed the valuation-related policies, the financial statements prepared in accordance with HKFRS and other supporting documents, and has had sufficient understanding of the valuation model, methodologies and techniques. In particular, our finance department: (i) manages the valuation of Level 3 instruments for financial reporting purposes, and manages the valuation exercise of the investments on a case-by-case basis; (ii) uses valuation techniques to determine the fair value of our Level 3 instruments at least once a year; and (iii) will engage external valuers when necessary. In addition, the balance of Level 3 wealth management products as of December 31, 2022 was nil. In light of the above, our Directors are satisfied with the valuation for our financial assets categorized within Level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountant’s Report as set out in Appendix I to this document.

The Sole Sponsor has performed due diligence work in respect of the valuation analysis on Level 3 financial assets, including, but not limited to: (i) discussed with our Company to understand the nature and details of the financial assets, the internal policies and procedures for the management of the Level 3 financial assets and the key basis, methodology and assumptions for the valuation of the Level 3 financial assets; (ii) reviewed the relevant notes in the Accountant’s Report as contained in Appendix I to this document; (iii) discussed with the Reporting Accountant to understand the work it has performed in relation to the valuation of the Level 3 financial assets for the purpose of reporting on the Historical Financial Information of the Group as a whole; and (iv) obtained and reviewed the relevant underlying agreements concerning the corresponding Level 3 financial assets during the Track Record Period. Having considered the work performed by our management and the unqualified opinion on our financial information as a whole issued by the Reporting Accountant in Appendix I to this document, and the relevant due diligence work conducted as stated above, nothing has come to the attention of the Sole Sponsor that would cause it to disagree with the valuation of the Level 3 financial assets.

### **Other Losses/Gains, Net**

Our net other losses or gains primarily consist of (i) gains or losses recognized from the disposal of our subsidiaries in 2020, 2021 and 2022, (ii) gains or losses recognized from disposal of fixed assets such as medical equipment, electronic equipment and office equipment,



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and (iii) net foreign exchange losses, mainly relating to the fluctuations of foreign exchange rates affecting our U.S. dollar-denominated assets and liabilities. The following table sets forth a breakdown of our net other losses for the years indicated:

|   | Year ended December 31,   |               |                |
|---|---------------------------|---------------|----------------|
|   | 2020                      | 2021          | 2022           |
|   | <i>(RMB in thousands)</i> |               |                |
| Net (loss)/gain on disposal of subsidiaries or associates . . . | (4,972)                   | 17,194        | 8,532          |
| Net (loss)/gain on disposal of<br>long-term assets . . . . .    | (542)                     | 2,864         | 2,549          |
| Net foreign exchange (losses)/gains . . . . .                   | (19,623)                  | 1,709         | (13,023)       |
| Others . . . . .  | 1,455                     | (855)         | 162            |
| <b>Total</b> . . . . .  | <b>(23,682)</b>           | <b>20,912</b> | <b>(1,780)</b> |

### Finance Income and Costs

Finance income mainly represents interest income from our bank deposits with financial institutions, and finance costs primarily consist of interest expenses of bank borrowings, interests charged to profit or loss over the lease period under certain lease arrangements pursuant to HKFRS 16 and interest expenses relating to our employee incentive plans and financial liability for redeemable rights. The following table sets forth a breakdown of our finance income and costs for the years indicated:

|   | Year ended December 31,   |                 |                 |
|---|---------------------------|-----------------|-----------------|
|   | 2020                      | 2021            | 2022            |
|   | <i>(RMB in thousands)</i> |                 |                 |
| <b>Finance income</b>   |                           |                 |                 |
| Interest income . . . . .   | 1,051                     | 1,209           | 4,811           |
| <b>Finance costs</b>  |                           |                 |                 |
| Interest costs on bank borrowings . . . . .   | (17,431)                  | (16,393)        | (23,417)        |
| Interest costs on lease liabilities . . . . .   | (8,723)                   | (4,357)         | (2,301)         |
| Interest expenses for payables to eligible employees <sup>(1)</sup> . .                     | (2,218)                   | –               | –               |
| Interest expenses for financial liability for redeemable<br>rights <sup>(2)</sup> . . . . . | (15,834)                  | (15,562)        | (17,162)        |
| <b>Subtotal</b> . . . . .   | <b>(44,206)</b>           | <b>(36,312)</b> | <b>(42,880)</b> |
| <b>Finance costs, net</b> . . . . .   | <b>(43,155)</b>           | <b>(35,103)</b> | <b>(38,069)</b> |

(1) Pursuant to our restricted share scheme, we agreed to repurchase the restricted shares we granted to our employees at twice the cash we received from them if such employees resign after three years since the grant date but prior to the [REDACTED]. The difference between the grant date present value of the repurchase price and the subscription price paid by grantees is treated as cash-settled share-based payment, and is recognized over the three-year service period after the grant date. The finance cost in connection with the present value of the repurchase price was recorded as interest expenses payable to eligible employees accordingly. See note 31 to the Accountant's Report in Appendix I to this document.

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- (2) The redeemable rights will be automatically cancelled upon the [REDACTED], and we are not expected to incur additional interest expenses for financial liability for redeemable rights thereafter. For details, see note 30 of the Accountant’s Report in Appendix I to this document.

### **Share of Losses from Investments Accounted for Using the Equity Method**

Our shares of profit or loss from investment in associates and joint ventures mainly represent the aggregate share of our associates’ and joint ventures’ net profits or losses attributable to our interests in those associates and joint ventures. In 2020, 2021 and 2022, our share of losses from investments accounted for using the equity method were RMB3.9 million, RMB4.1 million and RMB4.8 million, respectively. For details, see note 12 of the Accountant’s Report in Appendix I to this document.

### **Income Tax**

In 2021 and 2022, our income tax expenses was RMB1.6 million, and RMB5.1 million, respectively. In 2020, we had income tax credits of RMB4.5 million.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. The following sets forth our principal applicable taxes and tax rates:

#### ***Cayman Islands***

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

#### ***Mainland China***

Our income tax provision in respect of our operations in the PRC was subject to a statutory tax rate of 25% on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Enterprises that qualify as “High and New Technology Enterprises” are entitled to a preferential rate of 15% for three years. On December 2, 2019, Neusoft Xikang Healthcare Technology Co., Ltd. was qualified as a High and New Technology Enterprise under the relevant PRC laws and regulations, and such qualification may be renewed every three years. This qualification expired on December 1, 2022, and we are currently in the renewal process and do not expect any material legal impediment to renewing such qualification.

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### *Hong Kong*

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 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 Track Record Period.

## RESULTS OF OPERATIONS

### Comparisons between 2022 and 2021

#### *Revenue from contracts with customers*

Our revenue increased by 11.9% to RMB687.4 million in 2022 from RMB614.3 million in 2021, attributable to the increases in the revenue from our Internet medical services and smart healthcare products.

#### *Cloud Hospital Platform Services*

Revenue generated from our cloud hospital platform services segment decreased slightly to RMB122.4 million in 2022 from RMB128.0 million in 2021, mainly because certain milestones were not achieved on time due to adverse impacts caused by the COVID-19 pandemic in 2022, which delayed revenue recognition. During the COVID-19 pandemic, we also experienced heightened competition as certain market participants adopted aggressive pricing strategies when faced with difficult market conditions.

#### *Internet Medical Services*

Revenue generated from our Internet medical services segment increased by 47.6% to RMB137.8 million in 2022 from RMB93.4 million in 2021, primarily as the volume of the Internet medical services we provided increased from approximately 5.1 million in 2021 to approximately 8.9 million in 2022, mainly attributable to our increased efforts on local operations to stimulate the activeness of medical institutions using the Internet medical services.

#### *Health Management Services*

Revenue generated from our health management services segment decreased by 13.2% to RMB209.2 million in 2022 and RMB240.9 million in 2021, primarily because we suspended the operations of eight medical institutions for different durations in the first three quarters of 2022 due to the COVID-19 outbreaks in Shanghai, Shenyang, Chongqing, Xi'an, Hefei,

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Dandong, Fuzhou and Chengdu in the period. During such period, customer demand for routine health management services such as health check-ups reduced, resulting in more intensive competition for customer base among health management service providers.

### *Smart Healthcare Products*

Revenue generated from our smart healthcare products segment increased by 43.4% to RMB218.0 million in 2022 from RMB152.0 million in 2021, primarily due to the delivery of more projects in 2022. We secured a major contract with a medical institution in 2022, under which we provided solutions for customized smart healthcare products, primarily for remote medical services.

### *Cost of sales and services*

Our cost of sales and services increased by 16.9% to RMB519.0 million in 2022 from RMB444.1 million in 2021, which is largely in line with our increase in revenue from contracts with customers.

### *Cloud Hospital Platform Services*

Cost of sales and services of our cloud hospital platform services segment remained relatively stable at RMB65.8 million in 2022 and RMB68.5 million in 2021, respectively, which is in line with our revenue from cloud hospital platform services.

### *Internet Medical Services*

Cost of sales and services of our Internet medical services increased by 40.7% to RMB121.0 million in 2022 from RMB86.0 million in 2021, which is mainly due to the increased volume of services we provided in 2022.

### *Health Management Services*

Cost of sales and services of our health management services segment decreased by 13.7% to RMB131.6 million in 2022 from RMB152.5 million in 2021, primarily due to the decreases in: (i) revenue generated from this segment as we suspended the operations of eight medical institutions in the first three quarters of 2022 due to the COVID-19 outbreaks; (ii) employee benefit costs as we disposed some of our medical institutions in May 2021 and January 2022; and (iii) depreciation of property, plant and equipment as we continue to use the fully depreciated assets.

### *Smart Healthcare Products*

Cost of sales and services of our smart healthcare products segment increased 46.4% to RMB200.5 million in 2022 from RMB137.0 million in 2021, which is largely in line with our increased revenue of this segment.

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### *Gross profit and gross margin*

As a result of the foregoing, our gross profit decreased to RMB168.5 million in 2022 from RMB170.2 million in 2021.

Our gross margin decreased slightly to 24.5% in 2022 from 27.7% in 2021, mainly due to a change to our revenue mix. In particular:

#### *Cloud Hospital Platform Services*

Gross margin of our cloud hospital platform services segment remained relatively stable at 46.4% in 2021 and 46.2% in 2022.

#### *Internet Medical Services*

Gross margin of our Internet medical services segment increased to 12.2% in 2022 from 7.9% in 2021, primarily as (i) we gradually reduced the portion of free services or offered fewer discounts in cities which we have a longer period of operation; and (ii) we generated more platform management fees from third-party medical institutions as a percentage of service fees received by such medical institutions from patients on a net basis, which were higher-margin in nature.

#### *Health Management Services*

Gross margin of our health management services segment remained relatively stable at 36.7% in 2021 and 37.1% in 2022.

#### *Smart Healthcare Products*

Gross margin of our smart healthcare products segment decreased to 8.0% in 2022 from 9.9% in 2021, primarily due to our competitive pricing strategies facing market competition and customers' increasing bargaining power on pricing.

### *Selling and marketing expenses*

Our selling and marketing expenses decreased by 7.2% to RMB126.1 million in 2022 from RMB135.8 million in 2021, primarily due to a decrease in our share-based compensation expenses due to our issuance of Pre-[REDACTED] SOS Options to our selling and marketing employees in January 2021.

### *Research and development expenses*

Our research and development expenses decreased by 8.6% to RMB79.0 million in 2022 from RMB86.4 million in 2021, primarily due to a decrease in our share-based compensation expenses due to our issuance of Pre-[REDACTED] SOS Option to our research and development employees in January 2021.

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## FINANCIAL INFORMATION

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### *Administrative expenses*

Our administrative expenses decreased by 34.6% to RMB139.4 million in 2022 from RMB213.3 million in 2021, primarily due to the decrease in our share-based compensation expenses due to our issuance of Pre-[REDACTED] SOS Options to our administrative employees in January 2021, partially offset by a decrease in the [REDACTED] expenses for the proposed [REDACTED].

### *Other income*

Our other income increased by 31.8% to RMB18.9 million in 2022 from RMB14.4 million in 2021, primarily due to increased government grants as we completed a project which was entitled to a relatively large amount of government grants in 2022.

### *Other losses/gains, net*

We recorded net other losses of RMB1.8 million in 2022, changed from net other gains of RMB20.9 million in 2021, primarily because the net foreign exchange losses increased due to the fluctuation of foreign exchange rates in 2022.

### *Finance costs, net*

Our net finance costs remained relatively stable at RMB38.1 million in 2022 and RMB35.1 million in 2021.

### *Share of losses from investments accounted for using the equity method*

Our share of losses from investments accounted for using the equity method remained relatively stable at RMB4.1 million and RMB4.8 million in 2021 and 2022, respectively.

### *Income tax expense*

Our income tax expense increased significantly to RMB5.1 million in 2022 from RMB1.6 million in 2021, primarily attributable to income tax expenses incurred by our subsidiaries that became profitable in 2022.

### *Loss for the year*

As a result of the foregoing, our loss for the year decreased by 17.3% to RMB243.4 million in 2022 from RMB294.4 million in 2021.

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## FINANCIAL INFORMATION

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### Comparisons between 2021 and 2020

#### *Revenue from contracts with customers*

Our revenue increased by 22.1% to RMB614.3 million in 2021 from RMB503.0 million in 2020, attributable to the increases in revenue from all of our business segments in 2021.

#### *Cloud Hospital Platform Services*

Revenue generated from our cloud hospital platform services segment increased by 62.8% to RMB128.0 million in 2021 from RMB78.6 million in 2020, primarily due to the increased cooperation with local governments and medical institutions.

#### *Internet Medical Services*

Revenue generated from our Internet medical services segment increased by 69.7% to RMB93.4 million in 2021 from RMB55.1 million in 2020, primarily as the volume of the Internet medical services we provided increased from approximately 3.6 million in 2020 to approximately 5.1 million in 2021, mainly attributable to our adoption of competitive pricing strategies, such as discounts on online consultation services, and due to an increased number of medical institutions connected to our platforms, which led to increases in the volumes of services.

#### *Health Management Services*

Revenue generated from our health management services segment increased by 8.3% to RMB240.9 million in 2021 from RMB222.5 million in 2020 as the volume of such services increased from approximately 0.48 million in 2020 to approximately 0.53 million in 2021.

#### *Smart Healthcare Products*

Revenue generated from our smart healthcare products segment remained relatively stable at RMB152.0 million in 2021 and RMB146.9 million in 2020.

#### *Cost of sales and services*

Our cost of sales and services increased by 20.4% to RMB444.1 million in 2021 from RMB368.9 million in 2020, which is largely in line with our increase in revenue from contracts with customers.

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## FINANCIAL INFORMATION

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### *Cloud Hospital Platform Services*

Cost of sales and services of our cloud hospital platform services segment increased by 40.9% to RMB68.5 million in 2021 from RMB48.6 million in 2020, primarily due to an increase in our cost of sales of hardware, software and others as well as raw materials used, which grew at a slower pace compared to the increase in our revenue for this segment.

### *Internet Medical Services*

Cost of sales and services of our Internet medical services segment increased by 68.8% to RMB86.0 million in 2021 from RMB51.0 million in 2020, which is mainly due to the increased volume of services we provided in 2021.

### *Health Management Services*

Cost of sales and services of our health management services segment remained relatively stable at RMB152.5 million in 2021 and RMB150.3 million in 2020, which is primarily due to the increase in our employee benefit expenses, as we enjoyed government relief related to the COVID-19 pandemic in 2020 partially offset by the decrease in depreciation of property, plant and equipment as we continue to use the fully depreciated assets.

### *Smart Healthcare Products*

Cost of sales and services of our smart healthcare products segment increased by 15.1% to RMB137.0 million in 2021 from RMB119.0 million in 2020, primarily due to an increase in our cost of sales of hardware, software and others as well as raw materials used.

### ***Gross profit and gross margin***

As a result of the foregoing, our gross profit increased to RMB170.2 million in 2021 from RMB134.1 million in 2020.

Our gross margin increased to 27.7% in 2021 from 26.7% in 2020, primarily due to the substantial increase in the gross profit of our cloud hospital platform services segment and our health management services segment. In particular:

### *Cloud Hospital Platform Services*

Gross margin of our cloud hospital platform services segment increased to 46.4% in 2021 from 38.1% in 2020, primarily due to the gross margin of certain projects which generally improved in 2021 mainly due to stronger brand awareness and higher customer recognition, and these projects accounted for the majority of the total revenue of this segment.



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### *Internet Medical Services*

Gross margin of our Internet medical services segment remained relatively stable at 7.9% in 2021 and 7.4% in 2020.

### *Health Management Services*

Gross margin of our health management services segment increased to 36.7% in 2021 from 32.4% in 2020, primarily because the growth of revenue outpaced the growth of cost of sales.

### *Smart Healthcare Products*

Gross margin of our smart healthcare products segment decreased to 9.9% in 2021 from 19.0% in 2020, mainly due to our competitive pricing strategies to increase our market presence in primary medical institutions and hospitals, which we believe will allow us to generate additional synergy from the cloud hospital platform services and Internet medical services in the long term.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 40.4% to RMB135.8 million in 2021 from RMB96.7 million in 2020, primarily due to the increase in our share-based compensation and increase in employee benefits.

### *Research and development expenses*

Our research and development expenses increased by 29.4% to RMB86.4 million in 2021 from RMB66.8 million in 2020, primarily due to the increase in our share-based compensation.

### *Administrative expenses*

Our administrative expenses increased by 88.0% to RMB213.3 million in 2021 from RMB113.5 million in 2020, primarily due to the increase in our share-based compensation.

### *Other income*

Our other income decreased by 58.1% to RMB14.4 million in 2021 from RMB34.3 million in 2020, primarily due to decreased government grants as we completed fewer projects which were entitled to government grants in 2021.

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## FINANCIAL INFORMATION

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### *Other losses/gains, net*

We recorded net other gains of RMB20.9 million in 2021, changed from net other losses of RMB23.7 million in 2020, primarily because we recognized gains from the disposal of our subsidiaries in 2021, while we recognized losses from the disposal of our subsidiaries in 2020.

### *Finance costs, net*

Our net finance costs decreased by 18.7% to RMB35.1 million in 2021 from RMB43.2 million in 2020, primarily due to decreases in: (i) interest costs on lease liabilities, as we terminated and modified leasing contracts in relation to our disposal of subsidiaries; (ii) interest expenses for payables to eligible employees, as we do not have new restricted stock plans; and (iii) interest costs on bank borrowings, as we repaid certain of our then-outstanding bank borrowings.

### *Share of losses from investments accounted for using the equity method*

Our share of losses from investments accounted for using the equity method remained relatively stable at RMB3.9 million and RMB4.1 million in 2020 and 2021, respectively.

### *Income tax expense*

Our income tax expense increased significantly to RMB1.6 million in 2021 from a tax credit of RMB4.5 million in 2020, primarily because of the utilization of previously unrecognized tax losses in 2021.

### *Loss for the year*

As a result of the foregoing, our loss for the year increased by 48.3% to RMB294.4 million in 2021 from RMB198.5 million in 2020.

## FINANCIAL INFORMATION

### DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

|  | As of December 31,        |                |                |
|--|---------------------------|----------------|----------------|
|  | 2020                      | 2021           | 2022           |
|  | <i>(RMB in thousands)</i> |                |                |
| <b>Non-current assets</b>  |                           |                |                |
| Property, plant and equipment . . . . .                            | 132,022                   | 33,868         | 28,789         |
| Right-of-use assets . . . . .                                      | 100,206                   | 47,098         | 52,271         |
| Intangible assets . . . . .  | 2,935                     | 4,428          | 3,847          |
| Deferred income tax assets . . . . .                               | 4,621                     | 3,089          | 1,092          |
| Investments accounted for using the equity method . . . . .        | 101,344                   | 196,680        | 191,918        |
| Long-term trade receivables <sup>(1)</sup> . . . . .               | –                         | 34,468         | 19,309         |
| Prepayments . . . . .  | 1,453                     | 636            | 718            |
| <b>Total non-current assets</b> . . . . .                          | <b>342,581</b>            | <b>320,267</b> | <b>297,944</b> |
| <b>Current assets</b>  |                           |                |                |
| Inventories . . . . .  | 8,805                     | 21,886         | 18,453         |
| Assets recognized from costs to<br>fulfil a contract . . . . .     | 1,140                     | 7,526          | 8,768          |
| Contract assets . . . . .  | 7,781                     | 4,773          | 6,621          |
| Trade receivables . . . . .  | 124,441                   | 167,958        | 151,143        |
| Financial assets at fair value through<br>profit or loss . . . . . | 27,690                    | –              | –              |
| Other receivables . . . . .  | 38,694                    | 43,660         | 31,766         |
| Prepayments . . . . .  | 4,934                     | 11,105         | 12,059         |
| Other current assets . . . . .                                     | 4,154                     | 4,522          | 55,830         |
| Cash and cash equivalents . . . . .                                | 391,681                   | 364,737        | 350,748        |
| Restricted deposits . . . . .                                      | 495                       | 171            | 1,016          |
| Assets classified as held for sale . . . . .                       | 1,706                     | –              | –              |
| <b>Total current assets</b> . . . . .                              | <b>611,521</b>            | <b>626,338</b> | <b>636,404</b> |
| <b>Non-current liabilities</b>                                     |                           |                |                |
| Borrowings . . . . .   | 239,870                   | 389,590        | 509,420        |
| Other payables . . . . .   | 300                       | –              | –              |
| Long-term trade payables . . . . .                                 | –                         | –              | 1,900          |
| Lease liabilities . . . . .  | 101,662                   | 30,451         | 35,114         |
| Contract liabilities . . . . .                                     | –                         | 12,233         | 10,951         |
| Deferred income . . . . .  | 15,704                    | 11,898         | 6,680          |
| Financial liability for redeemable rights . . . . .                | 301,417                   | 309,914        | 356,228        |
| <b>Total non-current liabilities</b> . . . . .                     | <b>658,953</b>            | <b>754,086</b> | <b>920,293</b> |

(1) The long-term trade receivables are related to the sales of certain smart healthcare products (mainly including computed tomography scanner and digital angiography machine) from us to certain medical institutions. According to the payment terms of the relevant contracts, the total consideration of such sales will be collected within five years. We agreed with the payment term of five years as we plan to leverage the sales of smart healthcare products as an entry point to establish cooperation with such medical institutions and establish and expand our Internet medical services with such medical institutions.

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|  | As of December 31,        |                |                |
|--|---------------------------|----------------|----------------|
|  | 2020                      | 2021           | 2022           |
|  | <i>(RMB in thousands)</i> |                |                |
| <b>Current liabilities</b>                 |                           |                |                |
| Short-term borrowings . . . . .            | 71,118                    | 460            | 280            |
| Contract liabilities . . . . .             | 41,647                    | 38,496         | 40,857         |
| Trade payables . . . . .                   | 117,274                   | 199,996        | 234,110        |
| Other payables and accruals . . . . .      | 163,260                   | 186,153        | 158,263        |
| Lease liabilities . . . . .                | 31,128                    | 34,718         | 26,510         |
| Advances from third parties . . . . .      | 1,000                     | –              | –              |
| Other current liabilities . . . . .        | 190                       | 58             | 33             |
|  | <b>425,617</b>            | <b>459,881</b> | <b>460,053</b> |
| <b>Total current liabilities . . . . .</b> | <b>425,617</b>            | <b>459,881</b> | <b>460,053</b> |

### Property, Plant and Equipment

Our property, plant and equipment mainly consists of buildings, electronic equipment, office furniture and others, assets under construction and leasehold improvement.

As of December 31, 2020, 2021 and 2022, our property, plant and equipment was RMB132.0 million, RMB33.9 million and RMB28.8 million, respectively. The decrease in our property, plant and equipment as of December 31, 2021 compared to December 31, 2020 was primarily due to our reduced equity interests in Neusoft Consulting from 100% to 49%, which became an associate of our Group. Our property, plant and equipment decreased slightly from RMB33.9 million as of December 31, 2021 to RMB28.8 million as of December 31, 2022 due to depreciation.

### Investments Accounted Using the Equity Method

The investments accounted for using the equity method mainly represents our investments in associates during the Track Record Period. Since we have seat(s) in or appoint member(s) to the board or investment decision committee of our associates, we are considered to have significant influence but not control over the associates.

We have instituted internal policies regulating our investments, such as setting up joint ventures and holding equity interests in other companies. By carrying out long-term investments compatible with our development strategies, we aim to facilitate the growth of our solutions and create more synergies between our investments and business. Our investment policies mainly focus on serving our cloud hospital platform business. For each investment project, we carefully select suitable members from several departments to conduct research on the feasibility of the project. The investment project research team comprises: (i) experts from the business department with abundant experience and knowledge in the digital healthcare services market; (ii) members from the legal department with legal qualifications and relevant experience; and (iii) members from the finance department with accounting qualifications and relevant experience, among others. If necessary, we will engage independent professional agencies to help us with investment projects.

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As of December 31, 2020, 2021 and 2022, our investments accounted for using the equity method were RMB101.3 million, RMB196.7 million and RMB191.9 million, respectively. The increase in our investments accounted for using the equity method as of December 31, 2021 compared to December 31, 2020 was primarily due to our reduced equity interests in Neusoft Consulting from 100% to 49%, which became an associate of our Group. Our investments accounted for using the equity method remained relatively stable as of December 31, 2022 and December 31, 2021.

The following table sets forth the movements in our investments accounted for using the equity method for the years indicated:

|   | Year ended December 31,   |                |                |
|---|---------------------------|----------------|----------------|
|   | 2020                      | 2021           | 2022           |
|   | <i>(RMB in thousands)</i> |                |                |
| At beginning of the year . . . . .                    | 7,634                     | 101,344        | 196,680        |
| Additions <sup>(1)</sup> . . . . .                    | 100,000                   | 99,484         | –              |
| Share of loss from investments in associates. . . . . | (3,164)                   | (4,148)        | (4,762)        |
| Disposal of associates <sup>(2)</sup> . . . . .       | (3,126)                   | –              | –              |
|   | <b>101,344</b>            | <b>196,680</b> | <b>191,918</b> |
| <b>At end of the year . . . . .</b>                   | <b>101,344</b>            | <b>196,680</b> | <b>191,918</b> |

(1) On February 17, 2020, we entered into an investment agreement with Dalian Xikang Yunshe Development Co., Ltd. (“Dalian Yunshe”) and we subscribed for 11.83% equity interests of Dalian Yunshe. We fully paid cash consideration equivalent to approximately RMB100.0 million on December 28, 2020. Since we have appointed one member in the board of director of Dalian Yunshe, we are considered to have significant influence but not control over this associate.

On April 20, 2021, Jiangsu Lixin Technology Development Co., Ltd. (“Jiangsu Lixin”) entered into an investment agreement with Neusoft Xikang Healthcare Technology Co., Ltd. and Neusoft Consulting. Jiangsu Lixin subscribed for 51% equity interests of Neusoft Consulting through capital increase of RMB98.4 million. As a result, our interest in Neusoft Consulting decreased from 100% to 49%, and Neusoft Consulting became an associate of our Group since then.

(2) We directly hold ordinary shares in Shanghai Lanxi Health Service Co., Ltd. (“Shanghai Lanxi”), Shanghai Shuoyuan Health Management Co., Ltd. (“Shanghai Shuoyuan”) and Dalian Yunshe, and are entitled to nominate two members in the board of director of such companies pursuant to the shareholders agreements.

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No impairment on our investment in associates was recognized because: (i) our Directors did not identify any impairment indicator and considered not necessary to recognize impairment of our investment in Dalian Yunshe as we invested in Dalian Yunshe based on the valuation report issued by an independent appraiser, and Dalian Yunshe recorded a net cash inflow in operating activities in 2020 and has no adverse changes since our investment. In addition, revenue of Dalian Yunshe increased by 16.2% in 2021 as compared to the same in 2020 and revenue of Dalian Yunshe also increased by 23.5% in 2022 as compared to the same in 2021; (ii) our Directors did not identify any impairment indicator and considered not necessary to recognize impairment of our investment in Shanghai Lanxi because it is estimated that Shanghai Lanxi would achieve improving financial performance in the year ending December 31, 2023; (iii) Shanghai Shuoyuan was liquidated in 2020; and (iv) our directors did not identify any impairment indicator and considered not necessary to recognize impairment of investment in Neusoft Consulting. Jiangsu Lixin subscribed for 51% equity interest of Neusoft Consulting through capital increase of RMB98.4 million in 2021 based on the valuation report issued by an independent appraiser. The business and operation of Neusoft Consulting remained stable. The primary asset of Neusoft Consulting is a real property located in Zhangjiang, Shanghai, the market value of which also remained stable. We therefore believe that there has been no adverse changes since the valuation.

### Contract Assets

Our contract assets represent our right to consideration for work we have completed but have not billed to our customers, arising from our cloud hospital platform services, Internet medical services and health management services and smart healthcare products. The following table sets forth our contract assets as of the dates indicated:

|  | As of December 31,        |              |              |
|--|---------------------------|--------------|--------------|
|  | 2020                      | 2021         | 2022         |
|  | <i>(RMB in thousands)</i> |              |              |
| <b>Contract assets from</b>                                    |                           |              |              |
| – Cloud hospital platform services . . . . .                   | 5,783                     | 1,321        | 4,694        |
| – Internet medical services . . . . .                          | –                         | –            | –            |
| – Health management services . . . . .                         | –                         | –            | –            |
| – Smart healthcare products . . . . .                          | 2,786                     | 4,280        | 4,311        |
| Less: allowance for impairment of<br>contract assets . . . . . | (788)                     | (828)        | (2,384)      |
| <b>Total . . . . .</b>   | <b>7,781</b>              | <b>4,773</b> | <b>6,621</b> |

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As of December 31, 2020, 2021 and 2022, our contract assets were RMB7.8 million, RMB4.8 million and RMB6.6 million, respectively. The decrease in our contract assets as of December 31, 2021 compared to December 31, 2020 was primarily due to the reclassification to trade receivables after fulfilling all performance obligations to customers. The increase in our contract assets as of December 31, 2022 compared to December 31, 2021 was primarily due to an increase in the warranty deposit related to projects of cloud hospital platform services delivered in 2022.

Of the RMB6.6 million in contract assets as of December 31, 2022, RMB2.2 million, or 33.3%, had been settled as of April 30, 2023. Among the subsequently settled contract assets of RMB2.2 million as of April 30, 2023, RMB0.3 million or 6.4%, was from our cloud hospital platform services, and RMB1.9 million or 44.2%, was from our smart healthcare products, respectively.

### Trade Receivables

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

|   | As of December 31,        |                |                |
|---|---------------------------|----------------|----------------|
|   | 2020                      | 2021           | 2022           |
|   | <i>(RMB in thousands)</i> |                |                |
| <b>Trade receivables from contracts with customers</b>        |                           |                |                |
| – Third parties . . . . .                                     | 162,985                   | 223,001        | 236,811        |
| – Related parties . . . . .                                   | 9,670                     | 14,836         | 10,971         |
| Less: allowance for impairment of trade receivables . . . . . | (48,214)                  | (69,879)       | (96,639)       |
| <b>Total . . . . .</b>  | <b>124,441</b>            | <b>167,958</b> | <b>151,143</b> |

As of December 31, 2020, 2021 and 2022, our trade receivables were RMB124.4 million, RMB168.0 million and RMB151.1 million, respectively. The increases in our trade receivables as of December 31, 2020 and 2021 were generally in line with our revenue growth. The decrease in our trade receivables as of December 31, 2022 compared to 2021, was primarily due to an increase in the allowance for impairment of trade receivables as of December 31, 2022, mainly due to the temporary payment delay from government customers of our cloud hospital platform services and smart healthcare products as they prioritized combating COVID-19 in their resource allocation.

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The credit terms given to trade customers are determined on an individual basis. The normal credit period of trade receivables related to Internal 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 is mainly within one year. The ageing analysis of our trade receivables based on invoice date is as follows:

|  | As of December 31,        |                |                |
|--|---------------------------|----------------|----------------|
|  | 2020                      | 2021           | 2022           |
|  | <i>(RMB in thousands)</i> |                |                |
| - Up to 3 months . . . . .                                       | 83,669                    | 118,727        | 91,131         |
| - 3 months to 1 year . . . . .                                   | 26,230                    | 37,267         | 37,510         |
| - 1-2 years . . . . .  | 35,318                    | 33,171         | 53,334         |
| - 2-3 years . . . . .  | 4,606                     | 23,648         | 20,793         |
| - 3-4 years . . . . .  | 1,094                     | 2,768          | 20,999         |
| - 4-5 years . . . . .  | 1,218                     | 532            | 2,156          |
| - Over 5 years . . . . .   | 20,520                    | 21,724         | 21,859         |
| Less: allowance for impairment of<br>trade receivables . . . . . | (48,214)                  | (69,879)       | (96,639)       |
| <b>Total . . . . .</b>   | <b>124,441</b>            | <b>167,958</b> | <b>151,143</b> |

Of the RMB151.1 million in trade receivables as of December 31, 2022, RMB58.7 million, or 38.8%, had been settled as of April 30, 2023. Among the subsequently settled trade receivables of RMB58.7 million as of April 30, 2023, RMB34.0 million, or 37.3%, aged within three months, RMB9.2 million, or 24.5%, aged from three months to one year, RMB8.7 million, or 16.3%, aged from one to two years, RMB5.7 million, or 27.3%, aged from two to three years, and RMB1.1 million, or 5.1%, aged from three to four years, respectively.

During the Track Record Period, most of our trade receivables were outstanding for less than one year. The following table sets forth the turnover days of our trade receivables for the years indicated:

|  | Year ended December 31, |      |      |
|--|-------------------------|------|------|
|  | 2020                    | 2021 | 2022 |
|  | <i>(days)</i>           |      |      |
| Trade receivables turnover days <sup>(1)</sup> . . . . .                 | 85                      | 86   | 84   |
| Trade receivables and contract assets turnover days <sup>(2)</sup> . . . | 89                      | 89   | 87   |

(1) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables divided by total revenue from contracts with customers for the same year and multiplied by 360 days for 2020, 2021 and 2022.

(2) Trade receivables and contract assets turnover days equal the average of the opening and closing balances of trade receivables and contract assets divided by total revenue from contracts with customers for the same year and multiplied by 360 days for 2020, 2021 and 2022.



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Our trade receivables turnover days remained relatively stable at 85, 86 and 84 in 2020, 2021 and 2022, respectively.

Our trade receivables and contract assets turnover days remained relatively stable at 89, 89 and 87 in 2020, 2021 and 2022, respectively.

We seek to maintain strict control over our outstanding trade receivables to minimize credit risk. We have established dedicated teams responsible for monitoring and collecting outstanding trade receivables on an ongoing basis, and hold monthly meetings to review the collection process. We have also implemented policies to enhance trade receivables collection, including customer credit ratings and management procedures to minimize our credit risk exposure. For trade receivables, we have applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime expected credit losses. Trade receivables are grouped based on the days past due to measure the expected credit losses. In determining whether a counterparty has good credit, we make reference to external credit ratings and historical observed default rates over the expected life. We also adjust historical loss rates based on expected changes in factors including the growth rate of China's GDP, the nominal CAGR of China's medical and healthcare industries, the growth rate of China's real government consumption and China's unemployment rate, which we consider to be the most relevant factors. In accordance with HKFRS 9, we have made provision of 3.1%, 29.5%, 100.0%, 100.0%, 100.0% and 100.0% of the trade receivables related to Internet medical services and health management services aged up to one year, from one to two years, from two to three years, from three to four years, from four to five years and over five years as of December 31, 2022, respectively. We have also made provision of 54.2%, 87.3%, 97.5%, 100.0% and 100.0% of the trade receivables related to cloud hospital platform services and smart healthcare products aged from one to two years, from two to three years, from three to four years, from four to five years and over five years as of December 31, 2022, respectively. For details, see note 22 of the Accountant's Report in Appendix I to this Document. Based on the foregoing and the due diligence conducted, our Directors and the Sole Sponsor have found no evidence to suggest that the outstanding trade receivables aged over the credit period are irrecoverable and, as such, are of the view that no further impairment is necessary.

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### Other Receivables

Our other receivables primarily comprise receivables due from related parties and third parties, deposits, advances to staff and equity transfer receivables. The following table sets forth our prepayments and other receivables as of the dates indicated:

|   | As of December 31,        |               |               |
|---|---------------------------|---------------|---------------|
|   | 2020                      | 2021          | 2022          |
|   | <i>(RMB in thousands)</i> |               |               |
| Receivables from third parties <sup>(1)</sup> . . . . .   | 28,111                    | –             | –             |
| Deposits . . . . .  | 16,779                    | 15,766        | 15,148        |
| Payments on behalf of other company in relation to purchase of equipment <sup>(2)</sup> . . . . . | 5,588                     | –             | –             |
| Advance to staff . . . . .  | 2,727                     | 2,515         | 1,576         |
| Equity transfer receivables . . . . .   | 2,500                     | 30,130        | 30,130        |
| Others . . . . .  | 1,518                     | 4,165         | 3,797         |
| Less: allowance for impairment of other receivables . . . . .                                     | (18,529)                  | (8,916)       | (18,885)      |
| <b>Total</b> . . . . .  | <b>38,694</b>             | <b>43,660</b> | <b>31,766</b> |

(1) To further strengthen our capabilities for delivering quality cardiology healthcare as part of our remote digital clinic services, we purchased a small amount of healthcare products from suppliers starting in 2020 and sold to a total of 13 Chinese distributors, who then resold such healthcare products to several medical institutions that collaborated with us in building and operating cardiology consortiums. The relevant healthcare products are delivered from the suppliers to the distributors directly without our discretion. We charge a surcharge that averaged approximately 3.0%. As such, we were deemed to be acting as an agent in the arrangement, and only the surcharge was recognized as our revenue. In 2020, revenue generated from such arrangement was RMB0.8 million, accounting for approximately 0.6% of the revenue from our smart healthcare products and approximately 0.2% of our total revenue in 2020. Upon the delivery of the relevant products to the relevant distributors, we record receivables from third parties, and payables to third parties that equal the amount of receivables plus the surcharge. We only make payments to the relevant suppliers after our receipt of payments from the relevant distributors. We expect to continue such arrangement in a small size going forward, and believe that its impact on our financial results remained insignificant due to its limited size.

(2) In order to support the development of a primary medical institution in Shenyang for the purposes of accumulating patient base and strengthen the local service capabilities for the potential opportunities to develop our Internet medical services with such medical institution, we purchased medical equipment on behalf of such medical institution in 2020. In 2021, the medical institution suffered financial difficulties and was liquidated. The balance of payments on behalf of other company in relation to purchase of equipment was RMB5.6 million as of December 31, 2020 and no other additional purchases were made in 2021. In 2021, we provided full provision on the relevant outstanding balances of RMB5.6 million as of December 31, 2020.

As of December 31, 2020, 2021 and 2022, our other receivables were RMB38.7 million, RMB43.7 million and RMB31.8 million, respectively. The increase in our other receivables as of December 31, 2021 compared to December 31, 2020 was primarily due to an increase in the equity transfer receivables in relation to our disposal of subsidiaries. The decrease in our other receivables as of December 31, 2022 compared to December 31, 2021 was primarily due to an increase in allowance for impairment of other receivables in relation to expected credit loss.

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## FINANCIAL INFORMATION

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As of December 31, 2020, 2021 and 2022, we had equity transfer receivables of RMB2.5 million, RMB30.1 million and RMB30.1 million. The equity transfer receivables are mainly the consideration of the disposal of our subsidiaries to be paid by third-party purchasers. The increase in our equity transfer receivables as of December 31, 2021 compared to December 31, 2020 was due to a new disposal in 2021. The payments are not yet due under the credit terms of the respective contracts. We expect to receive these payments by the end of 2023.

Our RMB30.1 million of equity transfer receivables was not yet settled as of April 30, 2023.

### **Financial Liability for Redeemable Rights**

Our financial liability for redeemable rights primarily refers to the ordinary shares with redemption rights issued by our Company to one of the shareholders in December 2019. Pursuant to the agreement, our Company or a third party designated by our Company shall repurchase all such shares held by the shareholder upon certain conditions. For details, see note 29 of the Accountant's Report in Appendix I to this document.

As of December 31, 2020, 2021 and 2022, our financial liability for redeemable rights was RMB301.4 million, RMB309.9 million and RMB356.2 million, respectively. The increase in our financial liability for redeemable rights as of December 31, 2022 compared to December 31, 2021 was primarily due to the fluctuation of foreign exchange rates.

As redeemable rights issued by our Company will be automatically cancelled upon the [REDACTED], financial liability for redeemable rights will be reclassified to equity as a result of the automatic reclassification of all the treasury shares upon the [REDACTED] and our net liabilities position will be largely alleviated as a result.

### **Trade Payables**

Our trade payables represent liabilities for goods and services provided to us that remain unpaid. As of December 31, 2020, 2021 and 2022, our trade payables were RMB117.3 million, RMB200.0 million and RMB234.1 million, respectively. The increases in our trade payables as of December 31, 2020, 2021 and 2022 were primarily due to increases in purchases of goods and services from our suppliers in line with our business growth.

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The following table sets forth an ageing analysis of our trade payables as of the dates indicated:

|                                | As of December 31,        |                |                |
|--------------------------------|---------------------------|----------------|----------------|
|                                | 2020                      | 2021           | 2022           |
|                                | <i>(RMB in thousands)</i> |                |                |
| – Up to 3 months . . . . .     | 78,004                    | 142,431        | 144,580        |
| – 3 to 6 months . . . . .      | 1,622                     | 18,034         | 10,613         |
| – 6 months to 1 year . . . . . | 2,204                     | 22,838         | 26,838         |
| – 1 to 2 years . . . . .       | 18,892                    | 14,192         | 40,463         |
| – 2 to 3 years . . . . .       | 6,772                     | 1,517          | 9,354          |
| – 3 to 4 years . . . . .       | 9,683                     | 467            | 1,391          |
| – 4 to 5 years . . . . .       | 5                         | 439            | 354            |
| – over 5 years . . . . .       | 92                        | 78             | 517            |
| <b>Total</b> . . . . .         | <b>117,274</b>            | <b>199,996</b> | <b>234,110</b> |

Of the RMB234.1 million in trade payables as of December 31, 2022, RMB78.0 million, or 33.3%, had been settled as of April 30, 2023. Among the subsequently settled trade payables of RMB78.0 million as of April 30, 2023, RMB53.2 million, or 36.8%, aged within three months, RMB1.5 million, or 14.2%, aged from three months to six months, RMB9.0 million, or 33.6%, aged from six months to one year, RMB9.0 million, or 22.2%, aged from one to two years, RMB4.9 million, or 52.1%, aged from two to three years, and RMB0.4 million, or 28.6%, aged from three to four years, respectively.

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

|   | Year ended December 31, |                    |                    |
|---|-------------------------|--------------------|--------------------|
|   | 2020                    | 2021               | 2022               |
|   | <i>(days)</i>           |                    |                    |
| Trade payables turnover days <sup>(1)</sup> . . . . . | 104                     | 129 <sup>(2)</sup> | 151 <sup>(2)</sup> |

(1) Trade payables turnover days equal the average of the opening and closing balances of trade payables divided by total cost of sales and services for the same year and multiplied by 360 days for 2020, 2021 and 2022.

(2) Our trade payable turnover days increased in 2020, 2021 and 2022 mainly because we adjusted the settlement of trade payables according to our working capital management.

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### Contract Liabilities

As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB41.6 million, RMB50.7 million and RMB51.8 million, respectively, which primarily represent advance payments received from our customers upon which the performance obligations have been established while the underlying services are yet to be provided by us. The general increase of our contract liabilities is in line with the growth of our business. Specifically, the increase in our contract liabilities as of December 31, 2021 compared to December 31, 2020 was primarily due to the increase of the prepayments received from health management services. Such prepayments are recognized as revenue upon delivery of health management services. Our contract liabilities remained relatively stable as of December 31, 2022 compared to December 31, 2021.

Of the RMB51.8 million in contract liabilities as of December 31, 2022, RMB16.1 million, or 31.2%, had been recognized as revenue as of April 30, 2023. Among the contract liabilities subsequently recognized as revenue of RMB16.1 million as of April 30, 2023, RMB1.8 million, or 35.3%, was from cloud hospital platform services, RMB0.5 million, or 21.7%, was from Internet medical services, RMB12.1 million, or 29.2%, was from health management services, and RMB1.7 million, or 63.1%, was from smart healthcare products, respectively.

### Other Payables and Accruals

Our other payables and accruals mainly represent payment to eligible employees, payroll and welfare payables and others due to related parties. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

|  | As of December 31,        |                |                |
|--|---------------------------|----------------|----------------|
|  | 2020                      | 2021           | 2022           |
|  | <i>(RMB in thousands)</i> |                |                |
| Others due to related parties . . . . .                          | 9,008                     | 9,218          | –              |
| Payables to third parties <sup>(1)</sup> . . . . .               | 28,217                    | –              | –              |
| Payroll and welfare payables . . . . .                           | 42,293                    | 46,759         | 36,600         |
| Payables for purchase of property, plant and equipment . . . . . | 5,890                     | 2,178          | 2,067          |
| Tax payables . . . . .   | 482                       | 9,403          | 3,447          |
| Payment to eligible employees <sup>(2)</sup> . . . . .           | 65,055                    | 95,864         | 96,943         |
| Short-term leases payables . . . . .                             | 2,451                     | 1,064          | 2,112          |
| Accrual expenses . . . . .                                       | 3,710                     | 6,787          | 7,022          |
| [REDACTED] expenses . . . . .                                    | [REDACTED]                | [REDACTED]     | [REDACTED]     |
| Others . . . . .   | 6,454                     | 9,240          | 3,578          |
| <b>Total</b> . . . . .   | <b>163,560</b>            | <b>186,153</b> | <b>158,263</b> |

(1) For details on the background of payables to third parties, see “– Other Receivables.” As of December 31, 2020, payables to the suppliers were larger than the receivables from third parties, because we had received certain payments from third parties but had not made the corresponding payments to the suppliers in accordance with the applicable credit terms.

(2) We granted restricted shares to eligible employees in 2017, 2018 and 2021. Pursuant to our restricted share scheme, we agree to repurchase the restricted shares granted to our employees with the same amount of cash we received from them in relation to the grant if such employees resign within three years after the grant day, and with twice the cash we received from them in relation to the grant if such employees resign beyond three years after the grant day. Payment to eligible employees are the payables to our eligible employees. Due to

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such repurchase obligation, the shares issued to KangRich which holds the shares on behalf of these employees are recognised as our treasury shares. See note 28 to the Accountant’s Report in Appendix I to this document. In addition, if the eligible employees resign prior to [REDACTED], the payment to eligible employees under other payables will be settled through paying out the cash to them in relation to the grant, while the recognition of the corresponding treasury shares will remain unchanged. Upon [REDACTED], the repurchase obligation of the restricted shares granted to eligible employees who have not resigned will cease to exist, and hence the payment to eligible employees and the corresponding treasury shares will be reversed respectively, while the treasury shares granted to the eligible employees who already resigned prior to the [REDACTED] will be fully cancelled, by offsetting share capital and share premium accordingly.

As of December 31, 2020, 2021 and 2022, our other payables and accruals were RMB163.6 million, RMB186.2 million and RMB158.3 million, respectively. The increase in our other payables and accruals as of December 31, 2021 compared to December 31, 2020 was primarily due to the increase in contribution from eligible employees, mainly relating to restricted shares granted to employees. The decrease in our other payables and accruals as of December 31, 2022 compared to December 31, 2021 was primarily due to the decrease in payroll and welfare payables resulting from stringent cost controls in 2022.

### Net Current Assets

|   | As of December 31,        |                |                | As of              |
|---|---------------------------|----------------|----------------|--------------------|
|   | 2020                      | 2021           | 2022           | April 30,          |
|   | <i>(RMB in thousands)</i> |                |                | <i>(unaudited)</i> |
| <b>Current assets</b>   |                           |                |                |                    |
| Inventories . . . . .   | 8,805                     | 21,886         | 18,453         | 20,821             |
| Assets recognized from costs to fulfil a contract . . . . .     | 1,140                     | 7,526          | 8,768          | 13,392             |
| Contract assets . . . . .                                       | 7,781                     | 4,773          | 6,621          | 5,068              |
| Trade receivables . . . . .                                     | 124,441                   | 167,958        | 151,143        | 166,654            |
| Financial assets at fair value through profit or loss . . . . . | 27,690                    | –              | –              | –                  |
| Other receivables . . . . .                                     | 38,694                    | 43,660         | 31,766         | 33,254             |
| Prepayments . . . . .   | 4,934                     | 11,105         | 12,059         | 7,268              |
| Other current assets . . . . .                                  | 4,154                     | 4,522          | 55,830         | 26,784             |
| Cash and cash equivalents . . . . .                             | 391,681                   | 364,737        | 350,748        | 239,849            |
| Restricted deposits . . . . .                                   | 495                       | 171            | 1,016          | 982                |
| Assets classified as held for sale . . . . .                    | 1,706                     | –              | –              | –                  |
| <b>Total current assets</b> . . . . .                           | <b>611,521</b>            | <b>626,338</b> | <b>636,404</b> | <b>514,072</b>     |
| <b>Current liabilities</b>                                      |                           |                |                |                    |
| Short-term borrowings . . . . .                                 | 71,118                    | 460            | 280            | 280                |
| Contract liabilities . . . . .                                  | 41,647                    | 38,496         | 40,857         | 33,743             |
| Trade payables . . . . .  | 117,274                   | 199,996        | 234,110        | 184,380            |
| Other payables and accruals . . . . .                           | 163,260                   | 186,153        | 158,263        | 142,204            |
| Lease liabilities . . . . .                                     | 31,128                    | 34,718         | 26,510         | 23,540             |
| Advances from third parties . . . . .                           | 1,000                     | –              | –              | –                  |
| Other current liabilities . . . . .                             | 190                       | 58             | 33             | 36                 |
| <b>Total current liabilities</b> . . . . .                      | <b>425,617</b>            | <b>459,881</b> | <b>460,053</b> | <b>384,183</b>     |
| <b>Net current assets</b> . . . . .                             | <b>185,904</b>            | <b>166,457</b> | <b>176,351</b> | <b>129,889</b>     |

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Our net current assets decreased by 26.4% to RMB129.9 million as of April 30, 2023 from RMB176.4 million as of December 31, 2022, primarily due to decreased cash and cash equivalents, mainly relating to cash expended in daily operations, partially offset by a decrease in trade payables due to the payments to suppliers.

Our net current assets increased by 5.9% to RMB176.4 million as of December 31, 2022 from RMB166.5 million as of December 31, 2021, primarily due to increased other current assets, mainly relating to the reclassification of long-term trade receivables due within one year from non-current assets to current assets as of December 31, 2022, partially offset by an increase in trade payables in line with our business growth.

Our net current assets decreased by 10.5% to RMB166.5 million as of December 31, 2021 from RMB185.9 million as of December 31, 2020, primarily due to our increased trade payables outpacing the increase of trade receivables.

### INDEBTEDNESS

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

|                                     | As of December 31,        |                |                | As of              |
|-------------------------------------|---------------------------|----------------|----------------|--------------------|
|                                     | 2020                      | 2021           | 2022           | April 30,<br>2023  |
|                                     | <i>(RMB in thousands)</i> |                |                | <i>(unaudited)</i> |
| <b>Current</b>                      |                           |                |                |                    |
| Short-term borrowings . . . . .     | 71,118                    | 460            | 280            | 280                |
| Lease liabilities . . . . .         | 31,128                    | 34,718         | 26,510         | 23,540             |
| <b>Non-current</b>                  |                           |                |                |                    |
| Borrowings . . . . .                | 239,870                   | 389,590        | 509,420        | 509,360            |
| Lease liabilities . . . . .         | 101,662                   | 30,451         | 35,114         | 45,043             |
| <b>Total indebtedness . . . . .</b> | <b>443,778</b>            | <b>455,219</b> | <b>571,324</b> | <b>578,223</b>     |

As of December 31, 2022 and April 30, 2023, we had utilized RMB509.7 million and RMB509.6 million, respectively, of our banking facilities. As of April 30, 2023, RMB102.4 million of our banking facilities remained unutilized.

### Borrowings

As of December 31, 2020, 2021 and 2022 and April 30, 2023, the aggregate balance of our borrowings was RMB311.0 million, RMB390.1 million, RMB509.7 million and RMB509.6 million, respectively.

As of December 31, 2022 and April 30, 2023, all of our non-current borrowings and substantially all of our current borrowings were bank loans. The maturity dates of our outstanding borrowings ranged from 2024 to 2025.

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The following table sets forth a breakdown of our borrowings based on repayment schedule as of the dates indicated:

|                                 | As of December 31,        |                |                | As of<br>April 30, |
|---------------------------------|---------------------------|----------------|----------------|--------------------|
|                                 | 2020                      | 2021           | 2022           | 2023               |
|                                 | <i>(RMB in thousands)</i> |                |                | <i>(unaudited)</i> |
| Within 1 year . . . . .         | 71,118                    | 460            | 280            | 280                |
| Between 1 and 2 years . . . . . | 89,950                    | 150,080        | 239,570        | 239,520            |
| Between 2 and 5 years . . . . . | 149,920                   | 239,510        | 269,850        | 269,840            |
| <b>Total . . . . .</b>          | <b>310,988</b>            | <b>390,050</b> | <b>509,700</b> | <b>509,640</b>     |

### Lease Liabilities

Our lease liabilities primarily arise from leases of certain office properties from third parties. As of December 31, 2020, 2021 and 2022 and April 30, 2023, the aggregate balance of our lease liabilities was RMB132.8 million, RMB65.2 million, RMB61.6 million and RMB68.6 million, respectively. The decrease in our lease liabilities as of December 31, 2021 compared to December 31, 2020 was primarily in relation to our disposal of subsidiaries in 2021. The decrease in our lease liabilities as of December 31, 2022 compared to December 31, 2021, primarily as we continued to pay rent in 2022, which was partially offset by an increase in the lease liabilities due to the lease renewal of some of our self-owned medical institutions. The increase in our lease liabilities as of April 30, 2023 compared to December 31, 2022 was primarily in relation to the lease renewal of some of our self-owned medical institutions.

### Contingent Liabilities

As of December 31, 2022 and April 30, 2023, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future. Our Directors confirm that there has been no material change in our contingent liabilities since April 30, 2023 to the date of this document.

In addition, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of December 31, 2022 and April 30, 2023.



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### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

Historically, we have funded our working capital primarily from bank borrowings and equity financing. We expect to use a portion of the [REDACTED] from the [REDACTED] to fund our working capital requirements. We currently do not have any plans for material additional external financing.

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

#### Cash Flows

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

|   | Year ended December 31,   |                 |                 |
|---|---------------------------|-----------------|-----------------|
|   | 2020                      | 2021            | 2022            |
|   | <i>(RMB in thousands)</i> |                 |                 |
| Operating cash flows before movements in working capital . . . . .      | (40,094)                  | (81,022)        | (80,089)        |
| Movements in working capital . . . . .                                  | 22,002                    | (3,498)         | 4,547           |
| Interest received . . . . .   | 1,051                     | 1,209           | 1,959           |
| Income taxes paid . . . . .   | (257)                     | (73)            | (245)           |
| Net cash used in operating activities . . . . .                         | (17,298)                  | (83,384)        | (73,828)        |
| Net cash used in investing activities . . . . .                         | (195,160)                 | (5,467)         | (8,445)         |
| Net cash generated from financing activities . . . . .                  | 216,288                   | 64,897          | 64,624          |
| <b>Net increase/(decrease) in cash and cash equivalents . .</b>         | <b>3,830</b>              | <b>(23,954)</b> | <b>(17,649)</b> |
| Cash and cash equivalents at the beginning of the year . .              | 414,297                   | 391,681         | 364,737         |
| Effects of exchange rate changes on cash and cash equivalents . . . . . | (26,446)                  | (2,990)         | 3,660           |
| <b>Cash and cash equivalents at the end of the year . . . . .</b>       | <b>391,681</b>            | <b>364,737</b>  | <b>350,748</b>  |

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## FINANCIAL INFORMATION

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### *Net Cash Used in Operating Activities*

Our cash flows from operating activities reflect: our loss before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation and amortization, share-based compensation, and financial income and costs); (ii) the effects of movement in working capital (such as changes in inventories, provisions, as well as operating assets and liabilities); and (iii) other cash items (such as interest received and income tax paid).

We recorded net operating cash outflows of RMB17.3 million, RMB83.4 million and RMB73.8 million in 2020, 2021 and 2022, respectively. Going forward, in order to improve our net cashflows from operating activities, we plan to: (i) further expand our business and increase our revenue and profit from operations; (ii) improve cash inflows by enhancing payment collection from our customers and continue to monitor the agreed payment schedules of our customers based on our cash flow position, for example, we have established dedicated teams responsible for monitoring and collecting outstanding trade receivables on an ongoing basis and hold monthly meetings to review collection process. We have also implemented policies to enhance trade receivable collection, including customer credit ratings and management procedures to minimize our credit risk exposure; and (iii) control cash outflows by controlling our costs through budget planning and approval, negotiation and establishment of strategic relationships with our suppliers.

In 2022, we had net cash used in operating activities of RMB73.8 million, which represents our loss before income tax of RMB238.3 million, as adjusted by non-cash and non-operating items, and movements in working capital of: (i) an increase of RMB87.1 million in other operating assets, mainly due to the increase in trade receivables and long-term trade receivables as of December 31, 2022; and (ii) an increase of RMB55.8 million in other operating liabilities, mainly due to the increase in trade payables and contract liabilities.

In 2021, we had net cash used in operating activities of RMB83.4 million, which represents our loss before income tax of RMB292.8 million, as adjusted by non-cash and non-operating items, and movements in working capital of: (i) an increase of RMB90.7 million in other operating liabilities, mainly due to the increase in trade payables; and (ii) an increase of RMB94.6 million in other operating assets, mainly due to the increase in trade receivables and other receivables which was in line with the growth of our business.

In 2020, we had net cash used in operating activities of RMB17.3 million, which represents our loss before income tax of RMB203.0 million, as adjusted by non-cash and non-operating items, and movements in working capital of: (i) an increase of RMB64.6 million in other operating assets, mainly due to an increase in other receivables and trade receivables, which were in line with our business growth; and (ii) an increase of RMB49.9 million in other operating liabilities, mainly due to an increase in trade payables, which were in line with our business growth.

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## FINANCIAL INFORMATION

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### *Net Cash Used in Investing Activities*

Our cash inflows from investing activities primarily consist of proceeds from (i) sales of wealth management products, and (ii) disposal of subsidiaries. Our cash outflows from investing activities primarily consist of payment for purchases of (i) property, plant and equipment, and (ii) wealth management products.

In 2022, we had net cash used in investing activities of RMB8.4 million, which was primarily attributable to (i) payment for our purchases for property, plant and equipment and intangible assets of RMB7.3 million, and (ii) net cash outflow from our disposal of subsidiaries of RMB1.4 million, partially offset by proceeds by our disposal of property, plant and equipment of RMB0.3 million.

In 2021, we had net cash used in investing activities of RMB5.5 million, which was primarily attributable to (i) payment for our purchases for property, plant and equipment and intangible assets of RMB18.4 million, and (ii) net cash outflow from our disposal of subsidiaries of RMB16.7 million, partially offset by net proceeds from our sales of wealth management products of RMB28.0 million.

In 2020, we had net cash used in investing activities of RMB195.2 million, which was primarily attributable to (i) payment for our purchases of property, plant and equipment of RMB106.8 million, and (ii) payment for our investments in associates of RMB100.0 million.

### *Net Cash Generated from Financing Activities*

Our cash inflows from financing activities primarily include (i) contributions from shareholders and (ii) proceeds from bank borrowings. Our cash outflows from financing activities primarily include (i) repayment of bank borrowings; (ii) principal elements of lease payments; and (iii) payment for interests.

In 2022, we had net cash generated from financing activities of RMB64.6 million, which was primarily attributable to net cash inflow from bank borrowings of RMB270.0 million, partially offset by our repayment of bank borrowings of RMB150.2 million and payments of lease liabilities of RMB28.0 million.

In 2021, we had net cash generated from financing activities of RMB64.9 million, which was primarily attributable to net cash inflow from bank borrowings of RMB240.8 million, partially offset by our repayment of bank borrowings of RMB161.0 million.

In 2020, we had net cash generated from financing activities of RMB216.3 million, which was primarily attributable to (i) contributions from shareholders of RMB278.8 million, and (ii) proceeds from bank borrowings of RMB150.0 million, partially offset by repayment of borrowings of RMB100.2 million.

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### SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated:

|   | Year ended December 31, |      |      |
|---|-------------------------|------|------|
|   | 2020                    | 2021 | 2022 |
| Revenue growth <sup>(1)</sup> . . . . . | 25.9                    | 22.1 | 11.9 |
| Gross margin <sup>(2)</sup> . . . . .   | 26.7                    | 27.7 | 24.5 |

(1) Revenue growth ratio equals revenue growth divided by revenue for the last year.

(2) Gross margin equals gross profit divided by revenue for the year.

### Revenue Growth

For details, see “– Results of Operations.”

### Gross Margin

For details, see “– Results of Operations.”

### CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS

#### Capital Expenditures

During the Track Record Period, we incurred capital expenditures mainly for purchases of property, plant and equipment such as buildings, as well as purchases of intangible assets such as a laboratory information system and a picture archiving and communication system. The following table sets forth a breakdown of our capital expenditures for the years indicated:

|   | Year ended December 31,   |        |       |
|---|---------------------------|--------|-------|
|   | 2020                      | 2021   | 2022  |
|   | <i>(RMB in thousands)</i> |        |       |
| Purchases for property, plant and equipment and intangible assets . . . . . | 106,836                   | 18,382 | 7,339 |

We expect our capital expenditures to increase in the future as our business continues to grow. We expect to fund our future capital expenditures with our available cash resources. We may reallocate the fund to be utilized on capital expenditures based on our ongoing business needs.

## FINANCIAL INFORMATION

### Lease Commitments

We have the following future aggregate minimum lease payments due under short-term leases (which are exempted from recognizing the related right-of-use assets and lease liabilities):

|                           | As of December 31,        |      |      |
|---------------------------|---------------------------|------|------|
|                           | 2020                      | 2021 | 2022 |
|                           | <i>(RMB in thousands)</i> |      |      |
| Within one year . . . . . | 4,249                     | 92   | 3    |

The lease commitments decrease significantly in 2021 mainly due to the lease that met short-term exemption in previous years signed new contracts in 2021. These new contracts meet the requirement of HKFRS 16 to recognize right-of-use assets and lease liabilities.

### RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into a number of related party transactions, pursuant to which: (i) we purchased goods and services (such as medical consumables and smart healthcare products, as well as technical, maintenance and other services) from certain related parties; (ii) we purchased fixed assets from certain related parties; (iii) we purchased right-of-use assets from certain related parties; (iv) we purchased patented technology from a certain related party; (v) we sold services (such as cloud hospital platform services, Internet medical services, health management services and smart healthcare services) to certain related parties; (vi) we obtained financial support from a certain related party; (vii) we obtained lease and property services from certain related parties; (viii) we disposed of equity interests and transferred such to certain related party; and (ix) we accepted a guarantee from a certain related party, among other things.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm’s length basis and would not distort our results of operations or make our historical results not reflective of our future performance. In particular, the terms of our transactions with related parties during the Track Record Period were comparable to those offered by/to independent third parties, as the relevant prices and contract terms are comparable to those between our related parties and their other independent counterparties in similar transactions or the prices are based on reports issued by qualified independent third-party valuers. For the non-trade amounts due to related parties, our Directors confirm that all of such amounts will be settled prior to the [REDACTED].

For further details, see note 43 of the Accountant’s Report in Appendix I to this document.

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## FINANCIAL INFORMATION

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### OFF-BALANCE SHEET ARRANGEMENTS

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

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

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

#### Market Risk

##### *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of our Company and the subsidiaries operating in the PRC is Renminbi. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

We operate mainly in the PRC with most of the transactions settled in Renminbi. Our management considers that our business is not exposed to any significant foreign exchange risk as we have no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of our entities.

##### *Cash flow and fair value interest rate risk*

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for those investments in wealth management products.

#### Credit Risk

##### *Risk management*

We are 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 long-term trade receivables. 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.

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## FINANCIAL INFORMATION

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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.

### *Impairment of financial assets*

We have the following types of financial assets subject to expected credit loss model: (i) contract assets; (ii) trade receivables; (iii) other receivables; and (iv) 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.

We apply 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.

For other financial assets at amortized cost, our management makes periodic assessments as well as individual assessments on the recoverability based on historical settlement records, experience and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Directors believe that there is no material credit risk inherent in our outstanding balance of other financial assets at amortized cost.

The expected credit losses for the long-term trade receivables which are used a lifetime expected loss allowance are based on historical experience of the Group and comparable companies for the long-term trade receivables.

### **Liquidity Risk**

We aim to maintain sufficient cash to meet operating capital requirements.

## FINANCIAL INFORMATION

The table below analyzes our 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<br>1 year       | Between<br>1 and<br>2 years | Between<br>2 and<br>5 years | Over<br>5 years | Total            |
|---|---------------------------|-----------------------------|-----------------------------|-----------------|------------------|
|   | <i>(RMB in thousands)</i> |                             |                             |                 |                  |
| <b>As of December 31, 2020</b>  |                           |                             |                             |                 |                  |
| Borrowings . . . . .  | 85,564                    | 98,035                      | 151,440                     | –               | 335,039          |
| Trade payables . . . . .  | 117,274                   | –                           | –                           | –               | 117,274          |
| Other payables (excluding tax payables<br>and salary and welfare payables) . . .  | 120,038                   | 300                         | –                           | –               | 120,338          |
| Financial liability for redeemable rights   | –                         | –                           | 352,656                     | –               | 352,656          |
| Lease liabilities . . . . .   | 40,204                    | 35,855                      | 58,304                      | 35,241          | 169,604          |
| <b>Total . . . . .</b>  | <b>363,080</b>            | <b>134,190</b>              | <b>562,400</b>              | <b>35,241</b>   | <b>1,094,911</b> |
| <b>As of December 31, 2021</b>  |                           |                             |                             |                 |                  |
| Borrowings . . . . .  | 20,322                    | 164,064                     | 249,359                     | –               | 433,745          |
| Trade payables . . . . .  | 199,996                   | –                           | –                           | –               | 199,996          |
| Other payables (excluding tax payables<br>and salary and welfare payables) . . .  | 129,526                   | –                           | –                           | –               | 129,526          |
| Financial liability for redeemable rights   | –                         | –                           | 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 of December 31, 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<br>and salary and welfare payables). . . . | 118,216                   | –                           | –                           | –               | 118,216          |
| Financial liability for redeemable<br>rights . . . . .                            | –                         | 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> |

We initially recognize financial liability for redeemable rights as financial liabilities at the present value of the redemption amount. We classify the financial liability as subsequently measured at amortized cost. If the redeemable rights expire without delivery, the carrying amount of the financial liability is reclassified to equity. We classify financial liability for redeemable rights as non-current liabilities if we are not required to redeem for at least 12 months after the end of the Track Record Period.



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## FINANCIAL INFORMATION

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### DIVIDEND

During the Track Record Period, no dividend was declared or paid by the Company. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We currently do not have a formal dividend policy or fixed dividend payment ratio.

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

### DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on May 12, 2011 and has not carried out any business since the date of its incorporation. As of December 31, 2022, our Company did not have any distributable reserves available for distribution to our shareholders.

### UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2022 as if the [REDACTED] had taken place on December 31, 2022.

## FINANCIAL INFORMATION

The unaudited [REDACTED] statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the [REDACTED] been completed as at December 31, 2022 or at any future dates following the [REDACTED].

| Audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 | Estimated impact related to the re-designation of financial instruments with redeemable rights and restricted shares granted to eligible employees upon the [REDACTED] | Estimated net [REDACTED] from the [REDACTED] | Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2022 | Unaudited [REDACTED] adjusted consolidated net tangible assets per Share | [REDACTED] |
|--|--|--|---|--|------------|
| <i>(Note 1)</i>  | <i>(Note 2)</i>  | <i>(Note 3)</i>                              | <i>(Note 4)</i>   | <i>(Note 6)</i>  |            |
| RMB'000  | RMB'000  | RMB'000                                      | RMB'000   | RMB  | HK\$       |
| [(455,653)]  | [REDACTED]   | [REDACTED]                                   | [REDACTED]  | [REDACTED]   | [REDACTED] |

Based on an

[REDACTED] of  
HK\$[REDACTED]  
per Share

|             |            |            |            |            |            |
|-------------|------------|------------|------------|------------|------------|
| [(455,653)] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|-------------|------------|------------|------------|------------|------------|

Based on an

[REDACTED] of  
HK\$[REDACTED]  
per Share

|             |            |            |            |            |            |
|-------------|------------|------------|------------|------------|------------|
| [(455,653)] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|-------------|------------|------------|------------|------------|------------|

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 of approximately RMB[451,806,000], with adjustment for intangible assets as at December 31, 2022 of approximately RMB[3,847,000].
- (2) Upon the [REDACTED], the financial instruments with redeemable rights and the restricted shares granted to eligible employees will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited [REDACTED] financial information, the unaudited [REDACTED] adjusted net tangible assets attributable to the owners of the Company will be increased by RMB[REDACTED], being the aggregated carrying amounts of the financial instruments with redeemable rights and the restricted shares granted to eligible employees as of December 31, 2022.
- (3) The estimated net [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] HK\$[REDACTED] and HK\$[REDACTED] per share, being the low and high end of the indicative [REDACTED], respectively, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately RMB[REDACTED] which have been accounted for in the consolidated statements of comprehensive income of the Group prior to December 31, 2022) paid/payable by the Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital" in this document.

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## FINANCIAL INFORMATION

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- (4) The unaudited [REDACTED] net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that [REDACTED] Shares were in issue, assuming that the [REDACTED] [and the Share Subdivision] have been completed on December 31, 2022 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital" in this document.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2022.
- (6) For the purpose of this unaudited [REDACTED] adjusted consolidated net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$[1.1261]. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

## NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position since December 31, 2022 (being the date of our latest audited financial statements) and there has been no event since December 31, 2022 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

## [REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately RMB[REDACTED] (including (i) [REDACTED] of approximately RMB[REDACTED], and (ii) non-[REDACTED] related expenses of approximately RMB[REDACTED], which consist of financial and legal advisor fees and expenses of approximately RMB[REDACTED] and other fees and expenses of approximately RMB[REDACTED]), (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and no exercise of the [REDACTED], of which (i) approximately RMB[REDACTED] is directly attributable to the issue of our [REDACTED] and will be deducted from equity, (ii) approximately RMB[REDACTED] has been expensed in our consolidated statements of profit or loss in 2022, and (iii) approximately RMB[REDACTED] is expected to be expensed in our consolidated statements of profit or loss after December 31, 2022. Our [REDACTED] expenses account for [REDACTED]% of the gross [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and no exercise of the [REDACTED]).

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## FUTURE PLANS AND USE OF [REDACTED]

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### FUTURE PLANS

See “Business – Our Strategies” in this document for a detailed description of our future plans.

### USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base. We plan to further expand our cloud hospital network to new cities and enrich our service offerings and capabilities on our existing city-specific cloud hospital platforms, thereby enlarging our network of medical institutions and attracting new and maintaining existing users. In particular, we plan to allocate:
  - (i) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for increasing penetration of our city-specific cloud hospital platforms to more cities such as the Yangtze River Delta, Pearl River Delta, the Beijing-Tianjin-Hebei Metropolitan Region, and Central and Western China. For ascertaining the target cities for development, we aim to assess the market potential of cities based on their respective size of population (for example, we typically prefer cities with a population of above 1.0 million, subject to other considerations), economic development status, public acceptance of digital healthcare and residents’ consumer behavior for purposes of establishing the city-specific cloud hospital platforms. Meanwhile, we intend to explore market opportunities around cities in which we have established solid market presence. For example, Ningbo Cloud Hospital platform is deployed via the Internet home care services infrastructure and is referred to as a role model of Zhejiang province by the provincial government of Zhejiang in terms of digital healthcare application. Accordingly, we expect to closely monitor any relevant market opportunities arising from Zhejiang province as part of our development strategies. Apart from opportunities in Zhejiang province, we will also leverage our success in Shenyang to further expand to cities nearby. In addition, we will explore expansion to more cities in the three provincial-level Internet healthcare service supervision platforms in Jiangsu, Liaoning and Yunnan provinces;

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## FUTURE PLANS AND USE OF [REDACTED]

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- (ii) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for strengthening our business development capabilities and designing, promoting and implementing cloud hospital platforms, to attract more medical institutions, in particular large hospitals;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for enriching our offerings across the industry value chain to provide more professional and diversified healthcare services. We aim to further strengthen our collaborations with medical specialists of different areas at top medical institutions, and enhance and diversify our medical specialty-based service offerings to address the diversified needs of patients, thereby further improving their experience and enlarging the user base of our cloud hospital platforms. In particular, we plan to allocate:
  - (i) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for enhancing our collaborations with renowned medical specialists and medical groups to develop more medical specialty-based solutions and services, and recruiting professional operations talents to promote and market our medical specialty-based service offerings. We intend to form medical specialty consortiums in joint efforts with medical specialists and doctor groups, and are willing to explore innovative ways of cooperation with them. We also intend to recruit approximately 100 professional operations talents with relevant industry experience;
  - (ii) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for diversifying service offerings to end patients and healthcare consumers and increasing efforts to market and promote our brand and raise awareness of our service offerings, to improve user stickiness and recognition of our cloud hospital platforms;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for research and development on technology infrastructure and data capabilities. We plan to continually improve the technology infrastructure of our platforms and our data processing and security capabilities. We intend to increase investments in research and development to enhance the security, reliability and flexibility of our cloud hospital platforms. We also intend to continually integrate big data analytics, AI and blockchain technology to our platforms to further enhance our service capabilities. In particular, we plan to allocate:
  - (i) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for continuously investing in and upgrading our cloud-based infrastructure. We intend to upgrade our cloud-based infrastructure through enhancing its security, reliability and flexibility via integration of advanced technology;

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## FUTURE PLANS AND USE OF [REDACTED]

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- (ii) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for recruiting and training top engineers and technical experts, and purchasing and integrating third-party technology, to continuously reinforce our data analytical capabilities, including big data and AI. In particular, we intend to recruit approximately 100 top engineers and technical experts;
- (iii) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for development and application of technology to our cloud hospital platforms to improve our medical service quality controls and data security capabilities;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], in the next three to five years, for potential mergers and acquisitions opportunities. We plan to enrich the healthcare service offerings on our platforms through strategic cooperation and mergers and acquisitions, so as to create additional value for stakeholders of the healthcare system. We favor target companies that (i) have advanced technology capabilities, including, for example, data processing and security capabilities, (ii) can help us develop more medical specialty-based service offering, including, for example, chronic disease management services and smart healthcare products, and (iii) are supplementary to our business and can generate synergistic effects. We may also prudently assess a target's financial condition, management capabilities and compliance history, among other things. As of the Latest Practicable Date, we have not identified any potential investment or acquisition target or entered into any definite investment or acquisition agreement. According to Frost & Sullivan, there are currently more than 1,000 candidates based on the foregoing criteria for potential investment or acquisition in China; and
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for working capital and other general corporate purposes.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED], the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively.

The additional net [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the maximum [REDACTED] of the indicative [REDACTED]), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED]) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the minimum [REDACTED] of the indicative [REDACTED]).

To the extent that the net [REDACTED] from the [REDACTED] are either more or less than expected, we will adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

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## **FUTURE PLANS AND USE OF [REDACTED]**

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To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will hold such funds in short-term deposits with licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance or other applicable laws in the PRC) in Hong Kong or the PRC for so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

**[REDACTED]**

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**[REDACTED]**



**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

[REDACTED]

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[REDACTED]

*Undertakings pursuant to the Listing Rules and the [REDACTED]*

*(A) Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already [REDACTED]) or enter into any agreement to such issue within six months from the date on which our securities first commence [REDACTED] on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of [REDACTED]), except pursuant to the [REDACTED], the [REDACTED], the Share Option Schemes or any of the circumstances provided under Rule 10.08 of the Listing Rules.

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED] *Interests in the Company*

Except for its obligations under the [REDACTED] and save as disclosed in this Document, none of the [REDACTED] has any shareholding interest in the Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

Following the completion of the [REDACTED], the [REDACTED] and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the [REDACTED].

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**



**[REDACTED]**

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**[REDACTED]**

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## **STRUCTURE OF THE [REDACTED]**

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**[REDACTED]**



## STRUCTURE OF THE [REDACTED]

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[REDACTED]

**STRUCTURE OF THE [REDACTED]**

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## STRUCTURE OF THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]



## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]



## HOW TO APPLY FOR [REDACTED]

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**APPENDIX I****ACCOUNTANT’S REPORT**

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*The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

*[Letterhead of PricewaterhouseCoopers]*

*[DRAFT]*

**ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEUSOFT XIKANG HOLDINGS INC., AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

**Introduction**

We report on the historical financial information of NEUSOFT XIKANG HOLDINGS INC. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-112, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, the company statements of financial position as at 31 December 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-112 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant’s responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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**APPENDIX I****ACCOUNTANT'S REPORT**

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 45 to the Historical Financial Information which states that no dividends have been paid by NEUSOFT XIKANG HOLDINGS INC. in respect of the Track Record Period.

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**APPENDIX I**

**ACCOUNTANT'S REPORT**

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*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**  
Certified Public Accountants  
Hong Kong  
[●]



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**APPENDIX I****ACCOUNTANT'S REPORT**

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**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

|  | <i>Notes</i> | <b>Year ended 31 December</b> |                  |                  |
|--|--------------|-------------------------------|------------------|------------------|
|  |              | <b>2020</b>                   | <b>2021</b>      | <b>2022</b>      |
|  |              | <i>RMB'000</i>                | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Revenue from contracts with customers                                  | 5            | 503,008                       | 614,302          | 687,415          |
| Cost of sales and services   | 5,8          | (368,900)                     | (444,073)        | (518,965)        |
| <b>Gross profit</b>  |              | <u>134,108</u>                | <u>170,229</u>   | <u>168,450</u>   |
| Selling and marketing expenses   | 8            | (96,728)                      | (135,777)        | (126,066)        |
| Research and development expenses                                      | 8            | (66,761)                      | (86,421)         | (78,959)         |
| Administrative expenses  | 8            | (113,474)                     | (213,275)        | (139,396)        |
| Net impairment losses on financial assets                              |              | (23,685)                      | (23,629)         | (36,652)         |
| Other income   | 6            | 34,265                        | 14,365           | 18,926           |
| Other (losses)/gains – net   | 7            | (23,682)                      | 20,912           | (1,780)          |
| <b>Operating loss</b>  |              | <u>(155,957)</u>              | <u>(253,596)</u> | <u>(195,477)</u> |
| Finance income   |              | 1,051                         | 1,209            | 4,811            |
| Finance costs  |              | (44,206)                      | (36,312)         | (42,880)         |
| Finance costs – net  | 10           | (43,155)                      | (35,103)         | (38,069)         |
| Share of losses from investments accounted for using the equity method | 12           | (3,909)                       | (4,148)          | (4,762)          |
| <b>Loss before income tax</b>  |              | <u>(203,021)</u>              | <u>(292,847)</u> | <u>(238,308)</u> |
| Income tax credit/(expense)  | 13           | 4,477                         | (1,560)          | (5,056)          |
| <b>Loss for the year</b>   |              | <u>(198,544)</u>              | <u>(294,407)</u> | <u>(243,364)</u> |
| <b>Loss attributable to:</b>   |              |                               |                  |                  |
| Owners of the Company  |              | (196,203)                     | (296,301)        | (241,962)        |
| Non-controlling interests  |              | (2,341)                       | 1,894            | (1,402)          |
|  |              | <u>(198,544)</u>              | <u>(294,407)</u> | <u>(243,364)</u> |

**APPENDIX I**

**ACCOUNTANT'S REPORT**

|   | <i>Notes</i> | <b>Year ended 31 December</b> |                  |                  |
|---|--------------|-------------------------------|------------------|------------------|
|   |              | <b>2020</b>                   | <b>2021</b>      | <b>2022</b>      |
|   |              | <i>RMB'000</i>                | <i>RMB'000</i>   | <i>RMB'000</i>   |
| <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              |
| <i>Items that will not be reclassified to profit or loss:</i>     |              |                               |                  |                  |
| Currency translation differences of the Company                   |              | 14,965                        | 4,041            | (15,226)         |
| <b>Other comprehensive income/(loss) for the year, net of tax</b> |              | 12,933                        | 3,953            | (14,448)         |
| <b>Total comprehensive loss for the year</b>                      |              | <u>(185,611)</u>              | <u>(290,454)</u> | <u>(257,812)</u> |
| <b>Total comprehensive loss for the year attributable to:</b>     |              |                               |                  |                  |
| Owners of the Company   |              | (183,248)                     | (292,275)        | (256,410)        |
| Non-controlling interests   |              | (2,363)                       | 1,821            | (1,402)          |
|   |              | <u>(185,611)</u>              | <u>(290,454)</u> | <u>(257,812)</u> |
| <b>Loss per share, basic and diluted (RMB)</b>                    |              |                               |                  |                  |
|   | <i>14</i>    | <u>(1.58)</u>                 | <u>(2.38)</u>    | <u>(1.95)</u>    |

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|   | <i>Notes</i> | <b>As at 31 December</b> |                |                |
|---|--------------|--------------------------|----------------|----------------|
|   |              | <b>2020</b>              | <b>2021</b>    | <b>2022</b>    |
|   |              | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Assets</b>   |              |                          |                |                |
| <b>Non-current assets</b>                             |              |                          |                |                |
| Property, plant and equipment                         | 15           | 132,022                  | 33,868         | 28,789         |
| Right-of-use assets                                   | 16           | 100,206                  | 47,098         | 52,271         |
| Intangible assets                                     | 17           | 2,935                    | 4,428          | 3,847          |
| Deferred income tax assets                            | 37           | 4,621                    | 3,089          | 1,092          |
| Investments accounted for using the equity method     | 12           | 101,344                  | 196,680        | 191,918        |
| Long-term trade receivables                           | 19,20        | –                        | 34,468         | 19,309         |
| Prepayments   | 18           | 1,453                    | 636            | 718            |
| <b>Total non-current assets</b>                       |              | <b>342,581</b>           | <b>320,267</b> | <b>297,944</b> |
| <b>Current assets</b>                                 |              |                          |                |                |
| Inventories   | 23           | 8,805                    | 21,886         | 18,453         |
| Assets recognized for costs to fulfil contracts       | 5            | 1,140                    | 7,526          | 8,768          |
| Contract assets                                       | 5            | 7,781                    | 4,773          | 6,621          |
| Trade receivables                                     | 20,22        | 124,441                  | 167,958        | 151,143        |
| Financial assets at fair value through profit or loss | 20,24        | 27,690                   | –              | –              |
| Other receivables                                     | 20,21        | 38,694                   | 43,660         | 31,766         |
| Prepayments   | 18           | 4,934                    | 11,105         | 12,059         |
| Other current assets                                  | 26           | 4,154                    | 4,522          | 55,830         |
| Cash and cash equivalents                             | 20,25        | 391,681                  | 364,737        | 350,748        |
| Restricted deposits                                   | 20,25        | 495                      | 171            | 1,016          |
| Assets classified as held for sale                    |              | 1,706                    | –              | –              |
| <b>Total current assets</b>                           |              | <b>611,521</b>           | <b>626,338</b> | <b>636,404</b> |
| <b>Total assets</b>                                   |              | <b>954,102</b>           | <b>946,605</b> | <b>934,348</b> |

**APPENDIX I**

**ACCOUNTANT'S REPORT**

|  | <i>Notes</i> | <b>As at 31 December</b> |                  |                  |
|--|--------------|--------------------------|------------------|------------------|
|  |              | <b>2020</b>              | <b>2021</b>      | <b>2022</b>      |
|  |              | <i>RMB'000</i>           | <i>RMB'000</i>   | <i>RMB'000</i>   |
| <b>Shareholders' deficit</b>                         |              |                          |                  |                  |
| <b>Deficit attributable to owners of the Company</b> |              |                          |                  |                  |
| Share capital  | 27           | 940                      | 940              | 940              |
| Share premium  | 27           | 1,929,226                | 1,928,654        | 1,928,654        |
| Treasury shares                                      | 28           | (368,913)                | (368,913)        | (368,913)        |
| Other reserves                                       | 29           | 64,887                   | 220,442          | 284,978          |
| Accumulated losses                                   |              | (1,759,202)              | (2,055,503)      | (2,297,465)      |
|  |              | (133,062)                | (274,380)        | (451,806)        |
| <b>Non-controlling interests</b>                     |              | 2,594                    | 7,018            | 5,808            |
| <b>Total shareholders' deficit</b>                   |              | <u>(130,468)</u>         | <u>(267,362)</u> | <u>(445,998)</u> |
| <b>Liabilities</b>                                   |              |                          |                  |                  |
| <b>Non-current liabilities</b>                       |              |                          |                  |                  |
| Borrowings   | 20,35        | 239,870                  | 389,590          | 509,420          |
| Other payables                                       | 20,33        | 300                      | –                | –                |
| Long-term trade payables                             | 20           | –                        | –                | 1,900            |
| Lease liabilities                                    | 16,20        | 101,662                  | 30,451           | 35,114           |
| Contract liabilities                                 | 5            | –                        | 12,233           | 10,951           |
| Deferred income                                      | 34           | 15,704                   | 11,898           | 6,680            |
| Financial liability for redeemable rights            | 20,30        | 301,417                  | 309,914          | 356,228          |
| <b>Total non-current liabilities</b>                 |              | <u>658,953</u>           | <u>754,086</u>   | <u>920,293</u>   |
| <b>Current liabilities</b>                           |              |                          |                  |                  |
| Short-term borrowings                                | 20,35        | 71,118                   | 460              | 280              |
| Contract liabilities                                 | 5            | 41,647                   | 38,496           | 40,857           |
| Trade payables                                       | 20,32        | 117,274                  | 199,996          | 234,110          |
| Other payables and accruals                          | 20,33        | 163,260                  | 186,153          | 158,263          |
| Lease liabilities                                    | 16,20        | 31,128                   | 34,718           | 26,510           |
| Advances from third parties                          |              | 1,000                    | –                | –                |
| Other current liabilities                            |              | 190                      | 58               | 33               |
| <b>Total current liabilities</b>                     |              | <u>425,617</u>           | <u>459,881</u>   | <u>460,053</u>   |
| <b>Total liabilities</b>                             |              | <u>1,084,570</u>         | <u>1,213,967</u> | <u>1,380,346</u> |
| <b>Total shareholders' deficit and liabilities</b>   |              | <u>954,102</u>           | <u>946,605</u>   | <u>934,348</u>   |

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

|   | <i>Notes</i> | <b>As at 31 December</b> |                  |                  |
|---|--------------|--------------------------|------------------|------------------|
|   |              | <b>2020</b>              | <b>2021</b>      | <b>2022</b>      |
|   |              | <i>RMB'000</i>           | <i>RMB'000</i>   | <i>RMB'000</i>   |
| <b>Assets</b>                             |              |                          |                  |                  |
| <b>Non-current assets</b>                 |              |                          |                  |                  |
| Investments in subsidiaries               | 36           | 1,851,837                | 2,005,398        | 2,111,977        |
| Other receivables                         | 21           | 206,190                  | 204,917          | 220,026          |
| <b>Total non-current assets</b>           |              | <u>2,058,027</u>         | <u>2,210,315</u> | <u>2,332,003</u> |
| <b>Current assets</b>                     |              |                          |                  |                  |
| Other receivables                         | 21           | 12,463                   | 14,090           | 12,258           |
| Prepayments                               |              | –                        | 6,089            | 8,438            |
| Other current assets                      |              | 839                      | 896              | –                |
| Cash and cash equivalents                 | 25           | 59,335                   | 38,051           | 29,285           |
| <b>Total current assets</b>               |              | <u>72,637</u>            | <u>59,126</u>    | <u>49,981</u>    |
| <b>Total assets</b>                       |              | <u>2,130,664</u>         | <u>2,269,441</u> | <u>2,381,984</u> |
| <b>Shareholders' equity</b>               |              |                          |                  |                  |
| Share capital                             |              | 940                      | 940              | 940              |
| Share premium                             |              | 1,932,070                | 1,932,070        | 1,932,070        |
| Treasury shares                           | 28           | (305,170)                | (305,170)        | (305,170)        |
| Other reserves                            | 29           | 67,156                   | 224,757          | 320,142          |
| Retained earnings                         |              | 96,504                   | 64,723           | 31,821           |
| <b>Total shareholders' equity</b>         |              | <u>1,791,500</u>         | <u>1,917,320</u> | <u>1,979,803</u> |
| <b>LIABILITIES</b>                        |              |                          |                  |                  |
| <b>Non-current liabilities</b>            |              |                          |                  |                  |
| Financial liability for redeemable rights | 30           | 301,417                  | 309,914          | 356,228          |
| <b>Total non-current liabilities</b>      |              | <u>301,417</u>           | <u>309,914</u>   | <u>356,228</u>   |
| <b>Current liabilities</b>                |              |                          |                  |                  |
| Other payables and accruals               | 33           | 37,747                   | 42,207           | 45,953           |
| <b>Total liabilities</b>                  |              | <u>339,164</u>           | <u>352,121</u>   | <u>402,181</u>   |
| <b>Total equity and liabilities</b>       |              | <u>2,130,664</u>         | <u>2,269,441</u> | <u>2,381,984</u> |

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|  | <i>Notes</i> | 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 2020</b>                 |              | 867                                   | 1,650,768     | (247,607)       | 24,241         | (1,562,999)        | (134,730) | 13,339                    | (121,391) |
| <b>Comprehensive losses</b>                      |              |                                       |               |                 |                |                    |           |                           |           |
| Loss for the year                                |              | -                                     | -             | -               | -              | (196,203)          | (196,203) | (2,341)                   | (198,544) |
| Currency translation differences                 | 29           | -                                     | -             | -               | 12,955         | -                  | 12,955    | (22)                      | 12,933    |
| <b>Total comprehensive losses for the year</b>   |              | -                                     | -             | -               | 12,955         | (196,203)          | (183,248) | (2,363)                   | (185,611) |
| <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         | (1,759,202)        | (133,062) | 2,594                     | (130,468) |
| <b>Balance at 1 January 2021</b>                 |              | 940                                   | 1,929,226     | (368,913)       | 64,887         | (1,759,202)        | (133,062) | 2,594                     | (130,468) |
| <b>Comprehensive losses</b>                      |              |                                       |               |                 |                |                    |           |                           |           |
| Loss for the year                                |              | -                                     | -             | -               | -              | (296,301)          | (296,301) | 1,894                     | (294,407) |
| Currency translation differences                 | 29           | -                                     | -             | -               | 4,026          | -                  | 4,026     | (73)                      | 3,953     |
| <b>Total comprehensive losses for the year</b>   |              | -                                     | -             | -               | 4,026          | (296,301)          | (292,275) | 1,821                     | (290,454) |
| <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>               |              | 940                                   | 1,928,654     | (368,913)       | 220,442        | (2,055,503)        | (274,380) | 7,018                     | (267,362) |

**APPENDIX I**

**ACCOUNTANT’S REPORT**

|       |  | Attributable to owners of the Company |           |           |          |             | Non-      |             |           |
|-------|--|---------------------------------------|-----------|-----------|----------|-------------|-----------|-------------|-----------|
|       |  | Share                                 | Share     | Treasury  | Other    | Accumulated | Subtotal  | controlling | Total     |
|       |  | capital                               | premium   | shares    | reserves | losses      |           | interests   |           |
| Notes |  | RMB'000                               | RMB'000   | RMB'000   | RMB'000  | RMB'000     | RMB'000   | RMB'000     | RMB'000   |
|       | <b>Balance at 1 January 2022</b>               | 940                                   | 1,928,654 | (368,913) | 220,442  | (2,055,503) | (274,380) | 7,018       | (267,362) |
|       | <b>Comprehensive losses</b>                    |                                       |           |           |          |             |           |             |           |
|       | Loss for the year                              | -                                     | -         | -         | -        | (241,962)   | (241,962) | (1,402)     | (243,364) |
| 29    | Currency translation differences               | -                                     | -         | -         | (14,448) | -           | (14,448)  | -           | (14,448)  |
|       | <b>Total comprehensive losses for the year</b> | -                                     | -         | -         | (14,448) | (241,962)   | (256,410) | (1,402)     | (257,812) |
|       | <b>Transactions with owners</b>                |                                       |           |           |          |             |           |             |           |
| 29    | Share-based payments                           | -                                     | -         | -         | 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>             | 940                                   | 1,928,654 | (368,913) | 284,978  | (2,297,465) | (451,806) | 5,808       | (445,998) |



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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | <i>Notes</i> | <b>Year ended 31 December</b> |                       |                       |
|---|--------------|-------------------------------|-----------------------|-----------------------|
|   |              | <b>2020</b>                   | <b>2021</b>           | <b>2022</b>           |
|   |              | <i>RMB'000</i>                | <i>RMB'000</i>        | <i>RMB'000</i>        |
| <b>Cash flows from operating activities</b>                       |              |                               |                       |                       |
| Cash used in operations   | 38           | (18,092)                      | (84,520)              | (75,542)              |
| Interest received   |              | 1,051                         | 1,209                 | 1,959                 |
| Income taxes paid   |              | (257)                         | (73)                  | (245)                 |
| <b>Net cash used in operating activities</b>                      |              | <u>(17,298)</u>               | <u>(83,384)</u>       | <u>(73,828)</u>       |
| <b>Cash flows from investing activities</b>                       |              |                               |                       |                       |
| Purchases for property, plant and equipment and intangible assets |              | (106,836)                     | (18,382)              | (7,339)               |
| Proceeds from disposal of property, plant and equipment           |              | 582                           | 185                   | 331                   |
| 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)               |
| Payments for investments in associates                            |              | (100,000)                     | –                     | –                     |
| Proceeds from disposal of investments in associates               |              | 3,127                         | 1,450                 | –                     |
| <b>Net cash used in investing activities</b>                      |              | <u>(195,160)</u>              | <u>(5,467)</u>        | <u>(8,445)</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)               |
| 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)             |
| Repayments of shareholders' borrowings                            |              | (56,400)                      | (706)                 | –                     |
| Payments for interests  |              | (17,631)                      | (15,790)              | (23,038)              |
| Payments of lease liabilities                                     |              | (31,700)                      | (26,731)              | (28,000)              |
| Prepayments of [REDACTED] expenses                                |              | [REDACTED]                    | [REDACTED]            | [REDACTED]            |
| <b>Net cash generated from financing activities</b>               |              | <u>216,288</u>                | <u>64,897</u>         | <u>64,624</u>         |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |              | <u>3,830</u>                  | <u>(23,954)</u>       | <u>(17,649)</u>       |
| Cash and cash equivalents at the beginning of the year            |              | 414,297                       | 391,681               | 364,737               |
| Effects of exchange rate changes on cash and cash equivalents     |              | (26,446)                      | (2,990)               | 3,660                 |
| <b>Cash and cash equivalents at the end of the year</b>           |              | <u><u>391,681</u></u>         | <u><u>364,737</u></u> | <u><u>350,748</u></u> |

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### II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1 GENERAL INFORMATION

##### 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 Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated. The Historical Financial Information is 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

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- Obtain a pledge over the entire equity interest of VIE companies from their equity holders as collateral security for payments of VIE companies due to Xikang China and to secure performance of VIE companies’ obligations under the Contractual Arrangements.

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

### *(ii) Going Concern*

For the years ended 31 December 2020, 2021 and 2022, the Group incurred net loss of approximately RMB198.5 million, RMB294.4 million and RMB243.4 million respectively. As at 31 December 2022, the Group had net current assets of approximately RMB176.4 million (including cash and cash equivalent of approximately RMB350.7 million), and net liabilities of approximately RMB446.0 million, including the financial liability for redeemable rights of RMB356.2 million and other payables to eligible employees of RMB96.94 million (Note 33) which are classified as liabilities and would be re-classified to equity upon the [REDACTED], 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 Historical Financial Information on a going concern basis.

### *(iii) Compliance with HKFRS*

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The preparation of Historical Financial Information 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 Historical Financial Information are disclosed in Note 4.

### *(iv) Historical cost convention*

The Historical Financial Information has been prepared on a historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

### *(v) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- HKFRS 16 Leases

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Amendment to HKFRS 16 COVID-19 related rent concessions

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### (vi) *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 Track Record Period are as follows:

|   |   | <b>Effective for<br/>accounting<br/>periods beginning<br/>on or after</b> |
|---|---|---|
| HKFRS 17  | Insurance contracts   | 1 January 2023  |
| Amendments to HKAS 8                                | Definition of accounting estimates  | 1 January 2023  |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies   | 1 January 2023  |
| Amendments to HKAS 12                               | Deferred Tax related to Assets and Liabilities arising from a Single transaction      | 1 January 2023  |
| 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 HKFRS 10 and HKAS 28                  | Sale or contribution of assets between an investor and its associate or joint venture | To be determined  |

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 separately in the consolidated statements of comprehensive income, consolidated balance sheets, and consolidated statements of changes in equity respectively.

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### *(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 trade 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.

### *(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

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- 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.

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.

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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 Historical Financial Information in RMB.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally 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.

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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.

## **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).



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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.

### *(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.

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### 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).

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

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these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

### *Equity instruments*

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

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

During the Track Record 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 22 for further information about the Group's accounting for trade receivables and Note 2.11 for a description of the Group's impairment policies.

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### 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 [REDACTED].

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.

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### 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.

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### 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 (restricted share units ("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.

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At the end of each Track Record 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 [REDACTED], 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.

## 2.25 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.

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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.

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.



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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 Track Recording 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 Track Record 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.

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.

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### 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.

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.

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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.

### 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).

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### 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.

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

|                          | As at 31 December |                |                |
|--------------------------|-------------------|----------------|----------------|
|                          | 2020              | 2021           | 2022           |
|                          | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>USD</b>               |                   |                |                |
| – Cash and bank balances | 151,665           | 10,112         | 1,290          |
| – Trade receivables      | 4,083             | –              | –              |

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

|                             | As at 31 December |                |                |
|-----------------------------|-------------------|----------------|----------------|
|                             | 2020              | 2021           | 2022           |
|                             | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| USD to RMB exchange rate    | 7,787             | 506            | 65             |
| strengthened/weakened by 5% | 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.

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(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 are as follows:

|                          | As at 31 December |             |                |             |                |             |
|--------------------------|-------------------|-------------|----------------|-------------|----------------|-------------|
|                          | 2020              |             | 2021           |             | 2022           |             |
|                          | RMB’000           | %           | RMB’000        | %           | RMB’000        | %           |
| Variable rate borrowings |                   |             |                |             |                |             |
| Less than 1 year         | 71,118            | 23%         | 460            | 0%          | 280            | 0%          |
| 1 – 5 years              | 239,870           | 77%         | 389,590        | 100%        | 509,420        | 100%        |
|                          | <u>310,988</u>    | <u>100%</u> | <u>390,050</u> | <u>100%</u> | <u>509,700</u> | <u>100%</u> |

(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.

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

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

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

|   | <b>Less than<br/>1 year</b> | <b>Between 1<br/>and 2 years</b> | <b>Between 2<br/>and 5 years</b> | <b>Over<br/>5 years</b> | <b>Total</b>     |
|---|-----------------------------|----------------------------------|----------------------------------|-------------------------|------------------|
|   | <i>RMB'000</i>              | <i>RMB'000</i>                   | <i>RMB'000</i>                   | <i>RMB'000</i>          | <i>RMB'000</i>   |
| <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 ( <i>Note 30</i> )            | –                           | –                                | 352,656                          | –                       | 352,656          |
| Lease liabilities   | 40,204                      | 35,855                           | 58,304                           | 35,241                  | 169,604          |
| <b>Total</b>  | <u>363,080</u>              | <u>134,190</u>                   | <u>562,400</u>                   | <u>35,241</u>           | <u>1,094,911</u> |

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|   | <b>Less than<br/>1 year</b> | <b>Between 1<br/>and 2 years</b> | <b>Between 2<br/>and 5 years</b> | <b>Over<br/>5 years</b> | <b>Total</b>     |
|---|-----------------------------|----------------------------------|----------------------------------|-------------------------|------------------|
|   | <i>RMB’000</i>              | <i>RMB’000</i>                   | <i>RMB’000</i>                   | <i>RMB’000</i>          | <i>RMB’000</i>   |
| <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<br>(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<br>(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> |

**3.2 Capital management**

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

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

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

|                          | <b>As at 31 December</b> |                |                |
|--------------------------|--------------------------|----------------|----------------|
|                          | <b>2020</b>              | <b>2021</b>    | <b>2022</b>    |
|                          | <i>RMB’000</i>           | <i>RMB’000</i> | <i>RMB’000</i> |
| Net debt (Note 38(b))    | 325,824                  | 400,396        | 576,804        |
| Deficits on total equity | (130,468)                | (267,362)      | (445,998)      |
| <b>Gearing ratio</b>     | <b>250%</b>              | <b>150%</b>    | <b>129%</b>    |

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### 3.3 Fair value estimation

#### (i) Fair value hierarchy

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

| <b>As at 31 December 2020</b> |                |                |                |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|                               | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Financial assets</b>       |                |                |                |                |
| Wealth management products    | –              | –              | 27,690         | 27,690         |
| <b>As at 31 December 2021</b> |                |                |                |                |
|                               | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|                               | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Financial assets</b>       |                |                |                |                |
| Wealth management products    | –              | –              | –              | –              |
| <b>As at 31 December 2022</b> |                |                |                |                |
|                               | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|                               | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Financial assets</b>       |                |                |                |                |
| Wealth management products    | –              | –              | –              | –              |

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.



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

The following table presents the changes in level 3 items for the year ended December 31, 2020, 2021 and 2022:

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

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

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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 |         | Unobservable inputs     | Range of inputs |      | Relationship of unobservable inputs to fair value                 |
|----------------------------|---------------|---------|-------------------------|-----------------|------|---|
|                            | December 31   |         |                         | December 31     |      |   |
|                            | 2020          | 2021    |                         | 2020            | 2021 |   |
|                            | RMB'000       | RMB'000 |                         |                 |      |   |
| Wealth management products | 27,690        | -       | Expected rate of return | 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 December 31, 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 Track Record Period. And there is no outstanding balance for the wealth management products by 31 December 2021 and 31 December 2022.

(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.

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### 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.

#### (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 service before it is 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.

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**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.

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 Track Record Period is as follows:

|  | <b>Year ended 31 December 2020</b>                  |  |   |  |                |
|--|---|--|---|--|----------------|
|  | <b>Cloud<br/>hospital<br/>platform<br/>services</b> | <b>Internet<br/>medical<br/>services</b> | <b>Health<br/>management<br/>services</b> | <b>Smart<br/>healthcare<br/>products</b> | <b>Total</b>   |
|  | <i>RMB'000</i>                                      | <i>RMB'000</i>                           | <i>RMB'000</i>                            | <i>RMB'000</i>                           | <i>RMB'000</i> |
| Revenue from contracts<br>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                             | <u>29,966</u>                                       | <u>4,075</u>                             | <u>72,170</u>                             | <u>27,897</u>                            | <u>134,108</u> |

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|                                       | <b>Year ended 31 December 2021</b>                  |  |   |  |                |
|---------------------------------------|---|--|---|--|----------------|
|                                       | <b>Cloud<br/>hospital<br/>platform<br/>services</b> | <b>Internet<br/>medical<br/>services</b> | <b>Health<br/>management<br/>services</b> | <b>Smart<br/>healthcare<br/>products</b> | <b>Total</b>   |
|                                       | <i>RMB'000</i>                                      | <i>RMB'000</i>                           | <i>RMB'000</i>                            | <i>RMB'000</i>                           | <i>RMB'000</i> |
| 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                          | <u>59,431</u>                                       | <u>7,369</u>                             | <u>88,400</u>                             | <u>15,029</u>                            | <u>170,229</u> |

|                                       | <b>Year ended 31 December 2022</b>                  |  |   |  |                |
|---------------------------------------|---|--|---|--|----------------|
|                                       | <b>Cloud<br/>hospital<br/>platform<br/>services</b> | <b>Internet<br/>medical<br/>services</b> | <b>Health<br/>management<br/>services</b> | <b>Smart<br/>healthcare<br/>products</b> | <b>Total</b>   |
|                                       | <i>RMB'000</i>                                      | <i>RMB'000</i>                           | <i>RMB'000</i>                            | <i>RMB'000</i>                           | <i>RMB'000</i> |
| 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                          | <u>56,539</u>                                       | <u>16,813</u>                            | <u>77,593</u>                             | <u>17,505</u>                            | <u>168,450</u> |

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 and 2022, 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.

|                                 | <b>Year ended 31 December</b> |                |                |
|---------------------------------|-------------------------------|----------------|----------------|
|                                 | <b>2020</b>                   | <b>2021</b>    | <b>2022</b>    |
|                                 | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue                 |                               |                |                |
| – recognized over time          | 15,748                        | 15,889         | 19,700         |
| – recognized at a point in time | 487,260                       | 598,413        | 667,715        |
|                                 | <u>503,008</u>                | <u>614,302</u> | <u>687,415</u> |

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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 are listed as below:

|  | Year ended 31 December |      |        |
|--|------------------------|------|--------|
|  | 2020                   | 2021 | 2022   |
| Percentage of revenue from the major customers to the total revenue of the Group |                        |      |        |
| Client A (Smart healthcare products)   | 5.01%                  | *    | *      |
| Client B (Smart healthcare products)   | *                      | *    | 11.20% |

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

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

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

|   | As at 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Contract assets (i)                               |                   |                |                |
| Cloud hospital platform services                  | 5,783             | 1,321          | 4,694          |
| Smart healthcare products                         | 2,786             | 4,280          | 4,311          |
| Less: allowance for impairment of contract assets | (788)             | (828)          | (2,384)        |
|   | <u>7,781</u>      | <u>4,773</u>   | <u>6,621</u>   |

|  | As at 31 December |                |                |
|--|-------------------|----------------|----------------|
|  | 2020              | 2021           | 2022           |
|  | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Contract liabilities (ii)              |                   |                |                |
| Cloud hospital platform services       | 3,436             | 4,513          | 5,156          |
| Internet medical services              | 1,812             | 2,113          | 2,485          |
| Health management services             | 31,407            | 38,800         | 41,448         |
| Smart healthcare products              | 4,992             | 5,303          | 2,719          |
| Less: contract liabilities-non-current | –                 | (12,233)       | (10,951)       |
|  | <u>41,647</u>     | <u>38,496</u>  | <u>40,857</u>  |

|   | As at 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Assets recognized for costs to fulfil contracts (iii) |                   |                |                |
| Cloud hospital platform services                      | 1,140             | 7,526          | 8,768          |

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- (i) Contract assets are the Company’s right to consideration in exchange for goods or services that the Company has transferred to the customer.
- (ii) Contract liabilities mainly arise from the advanced payments from customers of the i) cloud hospital platform services, ii) internet medical services, iii) health management services, and iv) smart healthcare products upon which the performance obligations have been established while the underlying services are yet to be provided.
- (iii) The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. They were therefore recognized as asset for costs to fulfil contracts. For the years ended 31 December 2020, 2021 and 2022, assets recognized as cost are RMB45.55 million, RMB45.75 million and RMB17.1 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.

|                                  | <b>Year ended 31 December</b> |                |                |
|----------------------------------|-------------------------------|----------------|----------------|
|                                  | <b>2020</b>                   | <b>2021</b>    | <b>2022</b>    |
|                                  | <i>RMB’000</i>                | <i>RMB’000</i> | <i>RMB’000</i> |
| Cloud hospital platform services | 7,327                         | 3,210          | 4,107          |
| Internet medical services        | 494                           | 1,391          | 1,641          |
| Health management services       | 25,419                        | 22,717         | 15,864         |
| Smart healthcare products        | 3,195                         | 4,319          | 4,376          |
| <b>Total</b>                     | <b>36,435</b>                 | <b>31,637</b>  | <b>25,988</b>  |

**(d) Unsatisfied performance obligations**

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

|                                  | <b>As at 31 December</b> |                |                |
|----------------------------------|--------------------------|----------------|----------------|
|                                  | <b>2020</b>              | <b>2021</b>    | <b>2022</b>    |
|                                  | <i>RMB’000</i>           | <i>RMB’000</i> | <i>RMB’000</i> |
| Cloud hospital platform services | 100,344                  | 85,131         | 86,282         |
| Internet medical services        | 7,696                    | 847            | 795            |
| Health management services       | 3,551                    | –              | –              |
| Smart healthcare products        | 254,297                  | 187,715        | 54,001         |
| <b>Total</b>                     | <b>365,888</b>           | <b>273,693</b> | <b>141,078</b> |

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

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**(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 and 2022 are determined as follows.

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

|   | <b>As at 31 December</b>   |                         |                         |                         | <b>Total</b> |
|---|----------------------------|-------------------------|-------------------------|-------------------------|--------------|
|   | <b>2020</b>                | <b>2021</b>             | <b>2022</b>             |                         |              |
|   | <i>RMB'000</i>             | <i>RMB'000</i>          | <i>RMB'000</i>          |                         |              |
| Expected loss rate                      | 9%                         | 15%                     |                         |                         | 26%          |
| Gross carrying amount – contract assets | 8,569                      | 5,601                   |                         |                         | 9,005        |
| Loss allowance                          | (788)                      | (828)                   |                         |                         | (2,384)      |
|   | <b>No more than 1 year</b> | <b>1 year to 2 year</b> | <b>2 year to 3 year</b> | <b>3 year to 4 year</b> |              |
| <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)      |

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



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

|   | Year ended 31 December |         |         |
|---|------------------------|---------|---------|
|   | 2020                   | 2021    | 2022    |
|   | RMB'000                | RMB'000 | RMB'000 |
| At beginning of the year                    | (148)                  | (788)   | (828)   |
| Provision for impairment of contract assets | (640)                  | (40)    | (1,556) |
| At end of the year                          | (788)                  | (828)   | (2,384) |

**6 OTHER INCOME**

|  | Year ended 31 December |         |         |
|--|------------------------|---------|---------|
|  | 2020                   | 2021    | 2022    |
|  | RMB'000                | RMB'000 | RMB'000 |
| Government grants (i)                            | 32,251                 | 13,737  | 17,811  |
| Value added tax (“VAT”) refund and VAT reduction | 840                    | –       | 775     |
| Investment income on wealth management products  | 829                    | 306     | –       |
| Refund of service fee for withholding IIT        | 123                    | 73      | 106     |
| Additional deduction of input VAT                | 102                    | 207     | 233     |
| Other items                                      | 120                    | 42      | 1       |
|  | 34,265                 | 14,365  | 18,926  |

(i) **Government grants**

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

**7 OTHER LOSSES – NET**

|  | Year ended 31 December |         |          |
|--|------------------------|---------|----------|
|  | 2020                   | 2021    | 2022     |
|  | RMB'000                | RMB'000 | RMB'000  |
| Net (losses)/gains on disposal of subsidiaries or associates (Note 41) | (4,972)                | 17,194  | 8,532    |
| Net (losses)/gains on disposal of long-term assets                     | (542)                  | 2,864   | 2,549    |
| Net foreign exchange (losses)/gains                                    | (19,623)               | 1,709   | (13,023) |
| Other items  | 1,455                  | (855)   | 162      |
|  | (23,682)               | 20,912  | (1,780)  |

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### 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 31 December |                |                |
|--|------------------------|----------------|----------------|
|  | 2020                   | 2021           | 2022           |
|  | RMB'000                | RMB'000        | RMB'000        |
| Employee benefits expenses ( <i>Note 9</i> )                       | 210,346                | 244,476        | 223,506        |
| Cost of sales of hardware, software, raw materials and others      | 277,053                | 353,063        | 450,100        |
| Share-based compensation expenses ( <i>Note 9</i> )                | 34,044                 | 153,560        | 79,176         |
| Travelling, entertainment, service fee and general office expenses | 27,837                 | 33,039         | 33,251         |
| Depreciation of property, plant and equipment                      | 30,886                 | 17,518         | 12,138         |
| Depreciation of right-of-use assets                                | 25,398                 | 23,470         | 21,096         |
| Taxes and surcharges   | 698                    | 2,340          | 1,140          |
| Amortization of intangible assets                                  | 598                    | 710            | 786            |
| 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          |
| Short-term leases expenses   | 4,479                  | 1,530          | 5,293          |
| Other property service expenses                                    | 12,887                 | 11,165         | 7,845          |
| Promotion and advertising expenses                                 | 2,859                  | 2,845          | 8,783          |
| [REDACTED] expenses  | [REDACTED]             | [REDACTED]     | [REDACTED]     |
| Others   | 15,661                 | 13,456         | 7,844          |
|  | <u>645,863</u>         | <u>879,546</u> | <u>863,386</u> |

### 9 EMPLOYEE BENEFITS EXPENSES

|  | Year ended 31 December |                |                |
|--|------------------------|----------------|----------------|
|  | 2020                   | 2021           | 2022           |
|  | RMB'000                | RMB'000        | RMB'000        |
| Wages, salaries and bonuses                          | 179,270                | 197,620        | 173,912        |
| Share-based compensation expenses ( <i>Note 31</i> ) | 34,044                 | 153,560        | 79,176         |
| Social security costs and housing benefits           | 26,746                 | 42,222         | 43,892         |
| Other employee benefits                              | 4,330                  | 4,634          | 5,702          |
|  | <u>244,390</u>         | <u>398,036</u> | <u>302,682</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 year ended December 31, 2020, 2021 and 2022 include 1, 1 and 1 director respectively whose emoluments are reflected in the analysis shown in Note 44.

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(iii) Employee benefits expenses by function

|                                   | Year ended 31 December |                |                |
|-----------------------------------|------------------------|----------------|----------------|
|                                   | 2020                   | 2021           | 2022           |
|                                   | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of sales and services        | 47,133                 | 61,980         | 43,557         |
| Selling and marketing expenses    | 72,431                 | 107,443        | 96,599         |
| Research and development expenses | 54,794                 | 73,046         | 58,990         |
| Administrative expenses           | 70,032                 | 155,567        | 103,536        |
|                                   | <u>244,390</u>         | <u>398,036</u> | <u>302,682</u> |

**10 FINANCE INCOME AND COSTS**

|   | Year ended 31 December |                 |                 |
|---|------------------------|-----------------|-----------------|
|   | 2020                   | 2021            | 2022            |
|   | <i>RMB'000</i>         | <i>RMB'000</i>  | <i>RMB'000</i>  |
| <b>Finance income</b>   |                        |                 |                 |
| – Interest income   | 1,051                  | 1,209           | 4,811           |
| <b>Finance costs</b>  |                        |                 |                 |
| – Interest costs on bank borrowings                               | (17,431)               | (16,393)        | (23,417)        |
| – Interest costs on lease liabilities                             | (8,723)                | (4,357)         | (2,301)         |
| – Interest expenses for payables to eligible employees            | (2,218)                | –               | –               |
| – Interest expenses for financial liability for redeemable rights | (15,834)               | (15,562)        | (17,162)        |
|   | <u>(44,206)</u>        | <u>(36,312)</u> | <u>(42,880)</u> |
| <b>Finance costs – net</b>  | <u>(43,155)</u>        | <u>(35,103)</u> | <u>(38,069)</u> |

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11 SUBSIDIARIES

The Group’s principal subsidiaries at 31 December 2020, 2021 and 2022 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 | Attributable equity interest of the Group as at |       |                |      |                |      | Note    |
|---|---|-----------------------|---|-----------------|---|-------|----------------|------|----------------|------|---------|
|   |   |                       |   |                 | 31 December                                     |       | date of report |      | date of report |      |         |
|   |   |                       |   |                 | 2020  | 2021  | 2022           | 2022 | 2020           | 2021 |         |
|   | RMB   | %                     | %   | %               | %   | %     | %              | %    |                |      |         |
| <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            | 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            | 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            | 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             | 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            | 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  | 100            | 100  | (b)(i)  |

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| Name of entity  | Place of incorporation and type of legal entity | Date of incorporation | Principal activities and place of operation | Paid in capital | Attributable equity interest of the Group as at |      |      |                |      |      | Note     |
|---|---|-----------------------|---|-----------------|---|------|------|----------------|------|------|----------|
|   |   |                       |   |                 | 31 December                                     |      |      | date of report |      |      |          |
|   |   |                       |   |                 | 2020  | 2021 | 2022 | 2020           | 2021 | 2022 |          |
|   |   |                       |   | RMB             | %   | %    | %    | %              | %    | %    |          |
| 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  | 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  | 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  | 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  | 100  | (b)(i)   |
| Shanghai Xikang Clinic Co., Ltd.                                      | PRC Limited Liability Company                   | 24/09/2015            | Healthcare PRC                              | 10,000,000      | 100   | 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  | 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  | 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  | 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  | 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  | 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  | 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  | 100  | (b)(iii) |

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| Name of entity  | Place of incorporation and type of legal entity | Date of incorporation | Principal activities and place of operation | Paid in capital | Attributable equity interest of the Group as at |      |      |                |      |      | Note     |
|---|---|-----------------------|---|-----------------|---|------|------|----------------|------|------|----------|
|   |   |                       |   |                 | 31 December                                     |      |      | date of report |      |      |          |
|   |   |                       |   |                 | 2020  | 2021 | 2022 | 2020           | 2021 | 2022 |          |
|   |   |                       |   | RMB             | %   | %    | %    | %              | %    | %    |          |
| Anhui Xikang Health Management Co., Ltd.                                  | PRC Limited Liability Company                   | 09/05/2012            | Healthcare PRC                              | 1,000,000       | 100   | 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  | 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  | 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  | 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   | 51   | (b)(iii) |
| 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   | 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  | 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      | -   | -    | -    | -              | -    | -    | -        |

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| Name of entity  | Place of incorporation and type of legal entity | Date of incorporation | Principal activities and place of operation                         | Paid in capital | Attributable equity interest of the Group as at |      |      |                |      |          | Note |
|---|---|-----------------------|---|-----------------|---|------|------|----------------|------|----------|------|
|   |   |                       |   |                 | 31 December                                     |      |      | date of report |      |          |      |
|   |   |                       |   |                 | 2020  | 2021 | 2022 | 2020           | 2021 | 2022     |      |
|   |   |                       |   | RMB             | %   | %    | %    | %              | %    | %        |      |
| 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) |      |
| Shanghai Lingang Xikang Cloud Hospital Co., Ltd.  | PRC Limited Liability Company                   | 30/09/2020            | Healthcare PRC  | 4,500,000       | 100   | -    | -    | -              | -    | (e)      |      |
| Fuzhou Xikang Healthcare Examination Center Co., Ltd  | PRC Limited Liability Company                   | 15/12/2020            | Healthcare PRC  | 50,000,000      | 100   | -    | -    | -              | -    | (b)(iii) |      |
|   |   |                       |   |                 |   |      |      |                |      | (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            | Employee stock ownership plans special purpose vehicle (“ESOP SPV”) | -               | -   | -    | -    | -              | -    | (a)      |      |
| Heli Investments Co., Ltd.  | BVI   | 11/08/2015            | ESOP SPV  | -               | -   | -    | -    | -              | -    | (a)      |      |
| Shanghai Kangji Investments Center Co., Ltd.  | 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)      |      |
| 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)      |      |

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| Name of entity   | Place of incorporation and type of legal entity | Date of incorporation | Principal activities and place of operation | Paid in capital | Attributable equity interest of the Group as at |      |      |                | Note |
|--|---|-----------------------|---|-----------------|---|------|------|----------------|------|
|  |   |                       |   |                 | 31 December                                     |      |      |                |      |
|  |   |                       |   |                 | 2020  | 2021 | 2022 | date of report |      |
| 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 Track 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).



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### 12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

|  | Year ended 31 December |         |         |
|--|------------------------|---------|---------|
|  | 2020                   | 2021    | 2022    |
|  | RMB'000                | RMB'000 | RMB'000 |
| At beginning of the year                     | 7,634                  | 101,344 | 196,680 |
| Additions (a)                                | 100,000                | 99,484  | –       |
| Share of loss from investments in associates | (3,164)                | (4,148) | (4,762) |
| Disposal of associates ((b)(ii))             | (3,126)                | –       | –       |
| At end of the year                           | 101,344                | 196,680 | 191,918 |

**(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 RMB100 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 RMB98.41 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 RMB3.6 million arising from disposal of the 51% equity interest of Neusoft Management.

**(b) Set out below are the joint venture and associates of the Group as at 31 December 2020, 2021 and 2022. 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/<br>country of<br>incorporation | % of ownership interest<br>as at |       |       | Nature of<br>relationship | Measurement<br>method | Carrying amount as at |                |                |
|--|---|----------------------------------|-------|-------|---------------------------|-----------------------|-----------------------|----------------|----------------|
|  |   | 31 December                      |       |       |                           |                       | 31 December           |                |                |
|  |   | 2020                             | 2021  | 2022  |                           |                       | 2020                  | 2021           | 2022           |
|  |   | %                                | %     | %     |                           |                       | RMB'000               | RMB'000        |                |
| Shanghai Lanxi Health Service Co., Ltd.<br>(“Shanghai Lanxi”) (i)                        | PRC   | 16.92                            | 16.92 | 16.92 | Associate                 | Equity method         | 2,427                 | 1,753          | 599            |
| Shanghai Shuoyuan Health Management Co., Ltd.<br>(“Shanghai Shuoyuan”) (ii)              | PRC   | –                                | –     | –     | Joint Venture             | Equity method         | –                     | –              | –              |
| Dalian Xikang Yunshe Development Co., Ltd.<br>(“Dalian Yunshe”) (iii)                    | PRC   | 11.83                            | 11.83 | 11.83 | Associate                 | Equity method         | 98,917                | 95,703         | 92,560         |
| Neusoft Management Consulting (Shanghai)<br>Co., Ltd. (“Neusoft Management”) (12(a)(ii)) | PRC   | –                                | 49.00 | 49.00 | Associate                 | Equity method         | –                     | 99,224         | 98,759         |
| <b>Total equity account investments</b>  |   |                                  |       |       |                           |                       | <b>101,344</b>        | <b>196,680</b> | <b>191,918</b> |

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- (i) In accordance with the Shareholders Agreement of Shanghai Lanxi, the Group is entitled to nominate 2 directors to Shanghai Lanxi's board of directors which consisted of a total of 5 directors. The other 3 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 3 directors to Shanghai Shuoyuan's board of directors which consisted of a total of 6 directors. The other 3 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 track record 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.

- (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 31 December |                |                |
|---|------------------------|----------------|----------------|
|   | 2020                   | 2021           | 2022           |
|   | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> |
| Aggregate carrying amount of individually immaterial associates | 101,344                | 196,680        | 191,918        |
| Aggregate amounts of the group's share of:                      |                        |                |                |
| – profit or loss from continuing operations                     | (3,164)                | (4,148)        | (4,762)        |
| – Post-tax profit or loss from discontinued operations          | –                      | –              | –              |
| – Other comprehensive income                                    | –                      | –              | –              |
| – Total comprehensive income                                    | (3,164)                | (4,148)        | (4,762)        |

**13 INCOME TAX (CREDIT)/EXPENSE**

|                                      | Year ended 31 December |                |                |
|--------------------------------------|------------------------|----------------|----------------|
|                                      | 2020                   | 2021           | 2022           |
|                                      | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> |
| Current income tax expense           | 62                     | 28             | 3,059          |
| Deferred income tax (credit)/expense | (4,539)                | 1,532          | 1,997          |
|                                      | <u>(4,477)</u>         | <u>1,560</u>   | <u>5,056</u>   |

- (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.

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***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 Track Record 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.

No income tax was provided for as there was no estimated assessable profit that was subject to Israel profit tax during Track Record 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 Track Record 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 Track Record 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:

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2020</b>                   | <b>2021</b>    | <b>2022</b>    |
|  | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss before income tax   | (203,021)                     | (292,847)      | (238,308)      |
| Tax credits calculated at statutory tax rate of 25%                        | (50,755)                      | (73,212)       | (59,577)       |
| Expenses not deductible for taxation purposes                              | 5,541                         | 11,353         | 52,708         |
| Super deduction of research and development expenses                       | (6,396)                       | (13,048)       | (8,453)        |
| Income not subject to tax  | (3,060)                       | (5,533)        | (6,986)        |
| Tax losses and temporary differences not recognized as deferred tax assets | 59,534                        | 90,834         | 45,855         |
| Utilization of previously unrecognized tax losses                          | (9,722)                       | (8,485)        | (17,188)       |
| Effect of preferential tax rates   | 251                           | (356)          | (350)          |
| Effect of different tax rate   | 130                           | 7              | (953)          |
| Income tax (credit)/expense  | <u>(4,477)</u>                | <u>1,560</u>   | <u>5,056</u>   |

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

|                             | As at 31 December |                |                |
|-----------------------------|-------------------|----------------|----------------|
|                             | 2020              | 2021           | 2022           |
|                             | RMB'000           | RMB'000        | RMB'000        |
| Year ended 31 December 2019 | –                 | –              | –              |
| Year ended 31 December 2020 | –                 | –              | –              |
| 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        |
| Year ended 31 December 2024 | 170,942           | 161,297        | 147,605        |
| Year ended 31 December 2025 | 46,939            | 52,338         | 46,435         |
| Year ended 31 December 2026 | –                 | 80,943         | 77,296         |
| Year ended 31 December 2027 | –                 | –              | 55,009         |
| Year ended 31 December 2028 | –                 | –              | –              |
| Year ended 31 December 2029 | –                 | –              | –              |
| Year ended 31 December 2030 | 96,355            | 96,355         | 96,355         |
| Year ended 31 December 2031 | –                 | 67,936         | 67,936         |
| Year ended 31 December 2032 | –                 | –              | 86,343         |
|                             | <u>721,544</u>    | <u>689,706</u> | <u>693,055</u> |

### 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 and 2022.

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

|   | Year ended 31 December |                |                |
|---|------------------------|----------------|----------------|
|   | 2020                   | 2021           | 2022           |
| Loss attributable to owners of the Company for the year (RMB'000) | (196,203)              | (296,301)      | (241,962)      |
| Weighted average number of ordinary shares in issue ('000)        | <u>123,945</u>         | <u>124,240</u> | <u>124,240</u> |
| Basic loss per share (RMB)  | <u>(1.58)</u>          | <u>(2.38)</u>  | <u>(1.95)</u>  |

#### (b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2020, 2021 and 2022 were the same as the basic earnings per share as the Group incurred losses for the Track Record 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 earnings per share as presented above has not taken into account the proposed share subdivision pursuant to the shareholders’ resolution dated [●] because the proposed share subdivision has not become effective at the date of this report.]

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**15 PROPERTY, PLANT AND EQUIPMENT**

|                                    | <b>Buildings</b> | <b>Electronic<br/>equipment</b> | <b>Office<br/>furniture<br/>and others</b> | <b>Assets<br/>under<br/>construction</b> | <b>Leasehold<br/>improvement</b> | <b>Total</b>   |
|------------------------------------|------------------|---------------------------------|--|--|----------------------------------|----------------|
|                                    | <i>RMB'000</i>   | <i>RMB'000</i>                  | <i>RMB'000</i>                             | <i>RMB'000</i>                           | <i>RMB'000</i>                   | <i>RMB'000</i> |
| <b>At 1 January 2020</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>  |

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|                               | <u>Buildings</u> | <u>Electronic equipment</u> | <u>Office furniture and others</u> | <u>Assets under construction</u> | <u>Leasehold improvement</u> | <u>Total</u>     |
|-------------------------------|------------------|-----------------------------|------------------------------------|----------------------------------|------------------------------|------------------|
|                               | <i>RMB'000</i>   | <i>RMB'000</i>              | <i>RMB'000</i>                     | <i>RMB'000</i>                   | <i>RMB'000</i>               | <i>RMB'000</i>   |
| <b>Year ended</b>             |                  |                             |                                    |                                  |                              |                  |
| <b>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)         |
|                               | <u>–</u>         | <u>(9,655)</u>              | <u>(20)</u>                        | <u>–</u>                         | <u>(2,463)</u>               | <u>(12,138)</u>  |
| <b>Closing net book value</b> | <u>–</u>         | <u>25,768</u>               | <u>104</u>                         | <u>–</u>                         | <u>2,917</u>                 | <u>28,789</u>    |
| <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)        |
|                               | <u>–</u>         | <u>(117,366)</u>            | <u>(1,291)</u>                     | <u>–</u>                         | <u>(125,588)</u>             | <u>(244,245)</u> |
| <b>Net book value</b>         | <u>–</u>         | <u>25,768</u>               | <u>104</u>                         | <u>–</u>                         | <u>2,917</u>                 | <u>28,789</u>    |

- (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.

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

|                                   | <b>Year ended 31 December</b> |                |                |
|-----------------------------------|-------------------------------|----------------|----------------|
|                                   | <u>2020</u>                   | <u>2021</u>    | <u>2022</u>    |
|                                   | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of sales                     | 18,309                        | 8,745          | 6,430          |
| Administrative expenses           | 7,829                         | 4,147          | 2,059          |
| Research and development expenses | 1,212                         | 1,002          | 551            |
| Selling and marketing expenses    | 3,536                         | 3,624          | 3,098          |
|                                   | <u>30,886</u>                 | <u>17,518</u>  | <u>12,138</u>  |

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### 16 LEASES

#### (a) Amounts recognized in the consolidated balance sheets

|                                | As at 31 December |                |                |
|--------------------------------|-------------------|----------------|----------------|
|                                | 2020              | 2021           | 2022           |
|                                | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Right-of-use assets (i)</b> |                   |                |                |
| Buildings                      | 100,206           | 47,098         | 52,271         |
| <b>Lease liabilities</b>       |                   |                |                |
| Current                        | 31,128            | 34,718         | 26,510         |
| Non-current                    | 101,662           | 30,451         | 35,114         |
|                                | <u>132,790</u>    | <u>65,169</u>  | <u>61,624</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 |                  |                 |
|----------------------------------|-------------------|------------------|-----------------|
|                                  | 2020              | 2021             | 2022            |
|                                  | <i>RMB'000</i>    | <i>RMB'000</i>   | <i>RMB'000</i>  |
| <b>Cost</b>                      |                   |                  |                 |
| At beginning of the year         | 249,835           | 237,723          | 147,800         |
| Additions                        | 120               | 18,654           | 29,232          |
| Lease expiration                 | (2,645)           | (17,221)         | (28,844)        |
| Disposal of Subsidiaries         | –                 | (64,634)         | –               |
| Termination of lease contracts   | (9,587)           | (26,722)         | (5,776)         |
| At end of the year               | <u>237,723</u>    | <u>147,800</u>   | <u>142,412</u>  |
| <b>Accumulated depreciation</b>  |                   |                  |                 |
| At beginning of the year         | (117,944)         | (137,517)        | (100,702)       |
| Depreciation charge for the year | (25,398)          | (23,470)         | (21,096)        |
| Lease expiration                 | 2,645             | 17,221           | 28,844          |
| Disposal of Subsidiaries         | –                 | 25,727           | –               |
| Termination of lease contracts   | 3,180             | 17,337           | 2,813           |
| At end of the year               | <u>(137,517)</u>  | <u>(100,702)</u> | <u>(90,141)</u> |
| <b>Net book amount</b>           |                   |                  |                 |
| At end of the year               | <u>100,206</u>    | <u>47,098</u>    | <u>52,271</u>   |

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

|   | <b>Year ended 31 December</b> |                |                |
|---|-------------------------------|----------------|----------------|
|   | <b>2020</b>                   | <b>2021</b>    | <b>2022</b>    |
|   | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Depreciation charge of right-of-use assets          | 25,398                        | 23,470         | 21,096         |
| Interest expense                                    | 8,723                         | 4,357          | 2,301          |
| Expense relating to short-term leases               | 4,479                         | 1,530          | 5,293          |
| The cash outflow for leases as operating activities | (4,825)                       | (2,969)        | (4,603)        |
| The cash outflow for leases as financing activities | (31,700)                      | (26,731)       | (28,000)       |

**17 INTANGIBLE ASSETS**

|                                    | <u>Software and patents</u> |
|------------------------------------|-----------------------------|
|                                    | <i>RMB'000</i>              |
| <b>At 1 January 2020</b>           |                             |
| Cost                               | 6,137                       |
| Accumulated depreciation           | (2,582)                     |
| Provision                          | —                           |
| <b>Net book value</b>              | <u><u>3,408</u></u>         |
| <b>Year ended 31 December 2020</b> |                             |
| Opening net book amount            | 3,555                       |
| Additions                          | 380                         |
| Disposal                           | (402)                       |
| Depreciation charge                | (598)                       |
| Provision                          | —                           |
| <b>Closing net book value</b>      | <u><u>2,935</u></u>         |
| <b>At 31 December 2020</b>         |                             |
| Cost                               | 5,999                       |
| Accumulated depreciation           | (3,064)                     |
| <b>Net book value</b>              | <u><u>2,935</u></u>         |
| <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>      | <u><u>4,428</u></u>         |
| <b>At 31 December 2021</b>         |                             |
| Cost                               | 7,994                       |
| Accumulated depreciation           | (3,566)                     |
| <b>Net book value</b>              | <u><u>4,428</u></u>         |



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|                                    | <u>Software and patents</u> |
|------------------------------------|-----------------------------|
|                                    | <i>RMB'000</i>              |
| <b>Year ended 31 December 2022</b> |                             |
| Opening net book amount            | 4,428                       |
| Additions                          | 262                         |
| Disposal                           | (57)                        |
| Depreciation charge                | (786)                       |
|                                    | <u>3,847</u>                |
| <b>Closing net book value</b>      |                             |
|                                    | <u><u>3,847</u></u>         |
| <b>At 31 December 2022</b>         |                             |
| Cost                               | 8,037                       |
| Accumulated depreciation           | (4,190)                     |
|                                    | <u>3,847</u>                |
| <b>Net book value</b>              | <u><u>3,847</u></u>         |

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

|                                   | <u>Year ended 31 December</u> |                |                |
|-----------------------------------|-------------------------------|----------------|----------------|
|                                   | <u>2020</u>                   | <u>2021</u>    | <u>2022</u>    |
|                                   | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of sales                     | 224                           | 206            | 194            |
| Administrative expenses           | 183                           | 210            | 166            |
| Research and development expenses | 120                           | 220            | 350            |
| Selling and marketing expenses    | 71                            | 74             | 76             |
|                                   | <u>598</u>                    | <u>710</u>     | <u>786</u>     |

**18 PREPAYMENTS**

|   | <u>As at 31 December</u> |                |                |
|---|--------------------------|----------------|----------------|
|   | <u>2020</u>              | <u>2021</u>    | <u>2022</u>    |
|   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Non-Current</b>  |                          |                |                |
| – Prepayments for long-term assets                                | 1,453                    | 636            | 718            |
|   | <u>1,453</u>             | <u>636</u>     | <u>718</u>     |
| <b>Current</b>  |                          |                |                |
| – Prepayments for short-term leases, heating and property service | 634                      | 1,042          | 1,615          |
| – Advance payment to suppliers for inventories                    | 3,877                    | 2,636          | 1,251          |
| – Prepayments for [REDACTED] expenses                             | [REDACTED]               | [REDACTED]     | [REDACTED]     |
| – Other   | 423                      | 1,338          | 755            |
|   | <u>4,934</u>             | <u>11,105</u>  | <u>12,777</u>  |

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**19 LONG-TERM TRADE RECEIVABLES**

|   | As at 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Long-term trade receivables from contracts with customers (i) |                   |                |                |
| – Third parties   | –                 | 44,078         | 77,182         |
| Less: allowance for impairment of trade receivables           | –                 | (5,318)        | (2,328)        |
| Less: other current asset (Note 26)                           | –                 | (4,292)        | (55,545)       |
|   | –                 | 34,468         | 19,309         |

(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 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| – Up to 3 months                                      | –                 | 44,078         | 22,324         |
| – 3 months to 1 year                                  | –                 | –              | 14,481         |
| – 1-2 years   | –                 | –              | 40,377         |
| – Less: allowance for impairment of trade receivables | –                 | (5,318)        | (2,328)        |
| – Less: other current asset                           | –                 | (4,292)        | (55,545)       |
| Total   | –                 | 34,468         | 19,309         |

**(b) Amortized cost of long-term trade receivables**

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

**(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.

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

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

|   | <u>Current</u> | <u>1 year to<br/>2 years<br/>past due</u> | <u>2 years<br/>to<br/>3 years<br/>past due</u> | <u>3 years<br/>to<br/>4 years<br/>past due</u> | <u>4 years<br/>to<br/>5 years<br/>past due</u> | <u>More<br/>than<br/>5 years<br/>past due</u> | <u>Total</u>   |
|---|----------------|---|--|--|--|---|----------------|
| <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:

|   | <u>Current</u> | <u>1 year to<br/>2 years<br/>past due</u> | <u>2 years<br/>to<br/>3 years<br/>past due</u> | <u>3 years<br/>to<br/>4 years<br/>past due</u> | <u>4 years<br/>to<br/>5 years<br/>past due</u> | <u>More<br/>than<br/>5 years<br/>past due</u> | <u>Total</u>   |
|---|----------------|---|--|--|--|---|----------------|
| <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> |

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.

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

|   | <b>As at 31 December</b> |                |                |
|---|--------------------------|----------------|----------------|
|   | <u>2020</u>              | <u>2021</u>    | <u>2022</u>    |
|   | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> |
| - At beginning of the year  | -                        | -              | (5,318)        |
| - (Provision for)/reversal of impairment of long-term trade receivables | -                        | (5,318)        | 3,264          |
| - Other changes   | -                        | -              | (274)          |
| <b>At end of the year</b>   | <b>-</b>                 | <b>(5,318)</b> | <b>(2,328)</b> |

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**20 FINANCIAL INSTRUMENTS BY CATEGORY**

|                                    |              | <b>As at 31 December</b> |                |                |
|------------------------------------|--------------|--------------------------|----------------|----------------|
|                                    | <i>Notes</i> | <b>2020</b>              | <b>2021</b>    | <b>2022</b>    |
|                                    |              | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Financial assets</b>            |              |                          |                |                |
| Financial assets at amortized cost |              |                          |                |                |
| – Trade receivables                | 22           | 124,441                  | 167,958        | 151,143        |
| – Long-term trade receivables      | 19, 26       | –                        | 38,760         | 74,854         |
| – Other receivables                | 21           | 38,694                   | 43,660         | 31,766         |
| – Cash and bank balances           | 25           | 392,176                  | 364,908        | 351,764        |
|                                    |              | <u>555,311</u>           | <u>615,286</u> | <u>609,527</u> |
| Financial assets at fair value     |              |                          |                |                |
| – Wealth management products       | 24           | 27,690                   | –              | –              |
|                                    |              | <u>583,001</u>           | <u>615,286</u> | <u>609,527</u> |

|   |              | <b>As at 31 December</b> |                  |                  |
|---|--------------|--------------------------|------------------|------------------|
|   | <i>Notes</i> | <b>2020</b>              | <b>2021</b>      | <b>2022</b>      |
|   |              | <i>RMB'000</i>           | <i>RMB'000</i>   | <i>RMB'000</i>   |
| <b>Financial liabilities</b>                                      |              |                          |                  |                  |
| Financial liabilities at amortized cost                           |              |                          |                  |                  |
| – Borrowings  | 35           | 310,988                  | 390,050          | 509,700          |
| – Trade payables  | 32           | 117,274                  | 199,996          | 234,110          |
| – Long-term trade payables  |              | –                        | –                | 1,900            |
| – Other payables and accruals excluding non-financial liabilities |              | 120,038                  | 129,526          | 118,216          |
| – Lease liabilities   | 16           | 132,790                  | 65,169           | 61,624           |
| – Financial liability for redeemable rights                       | 30           | 301,417                  | 309,914          | 356,228          |
|   |              | <u>982,507</u>           | <u>1,094,655</u> | <u>1,281,778</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:

| <b>The Group</b>   | <b>As at 31 December</b> |                |                 |
|--|--------------------------|----------------|-----------------|
|  | <b>2020</b>              | <b>2021</b>    | <b>2022</b>     |
|  | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i>  |
| Receivables from third parties in relation to sales of smart healthcare products as an agent (c) | 28,111                   | –              | –               |
| Deposits (a)   | 16,779                   | 15,766         | 15,148          |
| Payments on behalf of other company in relation to purchase of equipment                         | 5,588                    | –              | –               |
| Advance to staff   | 2,727                    | 2,515          | 1,576           |
| Equity transfer receivables  | 2,500                    | 30,130         | 30,130          |
| Others   | 1,518                    | 4,165          | 3,797           |
|  | <u>57,223</u>            | <u>52,576</u>  | <u>50,651</u>   |
| Less: allowance for impairment of other receivables (b)  | <u>(18,529)</u>          | <u>(8,916)</u> | <u>(18,855)</u> |
|  | <u>38,694</u>            | <u>43,660</u>  | <u>31,766</u>   |
| <br><b>The Company</b>   | <b>As at 31 December</b> |                |                 |
|  | <b>2020</b>              | <b>2021</b>    | <b>2022</b>     |
|  | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i>  |
| Amount due from subsidiaries (d)   |                          |                |                 |
| – current  | 12,463                   | 14,090         | 12,258          |
| – non-current  | 206,190                  | 204,917        | 220,026         |
| Less: allowance for impairment of other receivables (b)  | <u>–</u>                 | <u>–</u>       | <u>–</u>        |
|  | <u>218,653</u>           | <u>219,007</u> | <u>232,284</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.

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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.
- (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(b), the loss allowance for other receivables as at 31 December 2020, 2021 and 2022 are determined as follows:

|  | <b>Performing</b> | <b>Under-performing</b> | <b>Non-performing</b> | <b>Total</b>  |
|--|-------------------|-------------------------|-----------------------|---------------|
| <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> |

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|  | Performing   | Under-performing | Non-performing | Total         |
|--|--------------|------------------|----------------|---------------|
| <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>  |
|  |              |                  |                |               |
|  | Performing   | Under-performing | Non-performing | Total         |
| <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> |

The gross carrying amounts of other receivables is as follow:

|                               | As at 31 December |               |               |
|-------------------------------|-------------------|---------------|---------------|
|                               | 2020              | 2021          | 2022          |
|                               | RMB'000           | RMB'000       | RMB'000       |
| Performing                    | 49,569            | 48,176        | 18,621        |
| Underperforming               | –                 | –             | 27,630        |
| Non-performing                | 7,654             | 4,400         | 4,400         |
| Write-off                     | –                 | 5,583         | 160           |
|                               |                   |               |               |
| Total gross other receivables | 57,223            | 58,159        | 50,811        |
| Less: Loss allowance          | (18,529)          | (8,916)       | (18,885)      |
| Less: Write-off               | –                 | (5,583)       | (160)         |
|                               |                   |               |               |
| Other receivables net-off     | <u>38,694</u>     | <u>43,660</u> | <u>31,766</u> |

## 22 TRADE RECEIVABLES

|   | As at 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | RMB'000           | RMB'000        | RMB'000        |
| Trade receivables from contracts with customers     |                   |                |                |
| – Third parties                                     | 162,985           | 223,001        | 236,811        |
| – Related parties                                   | 9,670             | 14,836         | 10,971         |
| Less: allowance for impairment of trade receivables | (48,214)          | (69,879)       | (96,639)       |
|   |                   |                |                |
|   | <u>124,441</u>    | <u>167,958</u> | <u>151,143</u> |

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- (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:

|   | <b>As at 31 December</b> |                 |                 |
|---|--------------------------|-----------------|-----------------|
|   | <b>2020</b>              | <b>2021</b>     | <b>2022</b>     |
|   | <i>RMB'000</i>           | <i>RMB'000</i>  | <i>RMB'000</i>  |
| – Up to 3 months                                    | 83,669                   | 118,727         | 91,131          |
| – 3 months to 1 year                                | 26,230                   | 37,267          | 37,510          |
| – 1-2 years   | 35,318                   | 33,171          | 53,334          |
| – 2-3 years   | 4,606                    | 23,648          | 20,793          |
| – 3-4 years   | 1,094                    | 2,768           | 20,999          |
| – 4-5 years   | 1,218                    | 532             | 2,156           |
| – Over 5 years                                      | 20,520                   | 21,724          | 21,859          |
|   | <u>172,655</u>           | <u>237,837</u>  | <u>247,782</u>  |
| Less: allowance for impairment of trade receivables | <u>(48,214)</u>          | <u>(69,879)</u> | <u>(96,639)</u> |
| Total   | <u>124,441</u>           | <u>167,958</u>  | <u>151,143</u>  |

**(b) Fair values of trade receivables**

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

**(c) Impairment and risk exposure**

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

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

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

| <u>Individual</u> | <u>Trade receivables</u> | <u>Expected credit loss rate</u> | <u>Loss allowance</u> | <u>Reason</u>              |
|-------------------|--------------------------|----------------------------------|-----------------------|----------------------------|
| Trade receivables | 14,762                   | 99%                              | (14,643)              | The likelihood of recovery |
|                   | <u>14,762</u>            | <u>99%</u>                       | <u>(14,643)</u>       |                            |



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(i)(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:

|   | 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 years past due | Total   |
|---|---------|------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|---------|
| <b>At 31 December 2020</b>                |         |                              |                            |                             |                             |                             |                            |         |
| Expected loss rate                        | 2.4%    | 4.9%                         | 38.8%                      | 100.0%                      | 100.0%                      | 100.0%                      | 100.0%                     | 12.2%   |
| Gross carrying amount – trade receivables | 7,502   | 30,943                       | 6,160                      | 1,006                       | 545                         | 3                           | 14                         | 46,173  |
| <b>Loss allowance</b>                     | (181)   | (1,511)                      | (2,390)                    | (1,006)                     | (545)                       | (3)                         | (14)                       | (5,650) |

(i)(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>                     | (8,470) | (8,420)                    | (3,214)                     | (549)                       | (1,215)                     | (6,053)                    | (27,921) |

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

| <u>Individual</u> | <u>Trade receivables</u> | <u>Expected credit loss rate</u> | <u>Loss allowance</u> | <u>Reason</u>              |
|-------------------|--------------------------|----------------------------------|-----------------------|----------------------------|
| Trade receivables | 14,453                   | 100%                             | (14,453)              | The likelihood of recovery |

(ii)(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 years 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>                     | (747)   | (594)                        | (938)                      | (1,105)                     | (51)                        | (63)                        | (18)                       | (3,516) |

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(ii)(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>                     | (15,936) | (12,629)                   | (12,906)                    | (2,717)                     | (469)                       | (7,253)                    | (51,910) |

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

| <u>Individual</u> | <u>Trade receivables</u> | <u>Expected credit loss rate</u> | <u>Loss allowance</u> | <u>Reason</u>              |
|-------------------|--------------------------|----------------------------------|-----------------------|----------------------------|
| Trade receivables | 46,451                   | 41%                              | (19,075)              | The likelihood of recovery |

(iii)(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:

|   | Current | No more than 1 year past due | 1 years 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                        | 2.4%    | 3.1%                         | 29.5%                       | 100.0%                      | 100.0%                      | 100.0%                      | 100.0%                     | 5.7%    |
| Gross carrying amount – trade receivables | 29,878  | 8,052                        | 4,074                       | 157                         | 47                          | 8                           | 22                         | 42,238  |
| <b>Loss allowance</b>                     | (711)   | (246)                        | (1,200)                     | (157)                       | (47)                        | (8)                         | (22)                       | (2,391) |

(iii)(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) |

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

|   | Year ended 31 December |          |          |
|---|------------------------|----------|----------|
|   | 2020                   | 2021     | 2022     |
|   | RMB'000                | RMB'000  | RMB'000  |
| At beginning of the year                      | (32,686)               | (48,214) | (69,879) |
| Provision for impairment of trade receivables | (15,561)               | (22,114) | (28,072) |
| Trade receivables loss                        | 26                     | 341      | 969      |
| Exchange differences                          | 7                      | 108      | 4        |
| Other changes                                 | –                      | –        | 339      |
| At end of the year                            | (48,214)               | (69,879) | (96,639) |

### 23 INVENTORIES

|   | Year ended 31 December |         |         |
|---|------------------------|---------|---------|
|   | 2020                   | 2021    | 2022    |
|   | RMB'000                | RMB'000 | RMB'000 |
| Raw materials                                 | 12,662                 | 18,306  | 12,604  |
| Finished goods – at cost                      | 924                    | 8,332   | 9,818   |
| Work in progress                              | 6                      | 2       | –       |
|   | 13,592                 | 26,640  | 22,422  |
| Less: allowance for impairment of inventories | (4,787)                | (4,754) | (3,969) |
|   | 8,805                  | 21,886  | 18,453  |

(i) **Amounts recognized in profit or loss**

Inventories recognized as cost of sales and services during the years ended 31 December 2020, 2021 and 2022 amounted to approximately RMB211.18 million, RMB309.86 million, and RMB400.58 million, respectively.

### 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 31 December |         |         |
|--|-------------------|---------|---------|
|  | 2020              | 2021    | 2022    |
|  | RMB'000           | RMB'000 | RMB'000 |
| Current assets                               |                   |         |         |
| Investment in wealth management products (i) | 27,690            | –       | –       |

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- (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 |                |                |
|--------------------------|------------------------|----------------|----------------|
|                          | 2020                   | 2021           | 2022           |
|                          | <i>RMB’000</i>         | <i>RMB’000</i> | <i>RMB’000</i> |
| At beginning of the year | 33,380                 | 27,690         | –              |
| Purchase                 | 27,900                 | 4,500          | –              |
| Redemption               | (33,590)               | (32,190)       | –              |
| At end of the year       | <u>27,690</u>          | <u>–</u>       | <u>–</u>       |

- (b) **Amounts recognised in profit or loss**

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

|   | Year ended December 31 |                |                |
|---|------------------------|----------------|----------------|
|   | 2020                   | 2021           | 2022           |
|   | <i>RMB’000</i>         | <i>RMB’000</i> | <i>RMB’000</i> |
| 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.

**25 CASH AND CASH EQUIVALENTS**

**The Group**

|                           | As at 31 December |                |                |
|---------------------------|-------------------|----------------|----------------|
|                           | 2020              | 2021           | 2022           |
|                           | <i>RMB’000</i>    | <i>RMB’000</i> | <i>RMB’000</i> |
| Cash and bank balances    | 392,176           | 364,908        | 351,764        |
| less: restricted deposits | (495)             | (171)          | (1,016)        |
| Cash and cash equivalents | <u>391,681</u>    | <u>364,737</u> | <u>350,748</u> |

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

|              | As at 31 December |                |                |
|--------------|-------------------|----------------|----------------|
|              | 2020              | 2021           | 2022           |
|              | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash at bank |                   |                |                |
| – USD        | 210,992           | 47,624         | 30,568         |
| – HKD        | 58                | 581            | 35             |
| – RMB        | 181,058           | 316,691        | 321,161        |
| – EUR        | 68                | 7              | –              |
| – NIS        | –                 | 5              | –              |
| Total        | <u>392,176</u>    | <u>364,908</u> | <u>351,764</u> |

### The Company

|                           | As at 31 December |                |                |
|---------------------------|-------------------|----------------|----------------|
|                           | 2020              | 2021           | 2022           |
|                           | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash and bank balances    | 59,335            | 38,051         | 29,285         |
| less: restricted deposits | –                 | –              | –              |
| Cash and cash equivalents | <u>59,335</u>     | <u>38,051</u>  | <u>29,285</u>  |

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

|              | As at 31 December |                |                |
|--------------|-------------------|----------------|----------------|
|              | 2020              | 2021           | 2022           |
|              | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Cash at bank |                   |                |                |
| – USD        | 59,320            | 37,508         | 29,275         |
| – HKD        | 6                 | 534            | 1              |
| – RMB        | 9                 | 9              | 9              |
|              | <u>59,335</u>     | <u>38,051</u>  | <u>29,285</u>  |

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**ACCOUNTANT'S REPORT**

**26 OTHER CURRENT ASSETS**

|  | As at 31 December |                |                |
|--|-------------------|----------------|----------------|
|  | 2020              | 2021           | 2022           |
|  | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Deductible input VAT                                     | 4,154             | 230            | 84             |
| Long-term trade receivables within one year<br>(Note 19) | –                 | 4,292          | 55,545         |
| Others   | –                 | –              | 201            |
|  | <u>4,154</u>      | <u>4,522</u>   | <u>55,830</u>  |

**27 SHARE CAPITAL AND SHARE PREMIUM**

|                     | Number of<br>ordinary<br>shares | Nominal value<br>of ordinary<br>shares | Share<br>premium |
|---------------------|---------------------------------|--|------------------|
|                     |                                 | <i>RMB'000</i>                         | <i>RMB'000</i>   |
| <b>Issued:</b>      |                                 |  |                  |
| At 1 January 2020   | 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> |

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.

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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).

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 |                |                |
|--------------------------|------------------------|----------------|----------------|
|                          | 2020                   | 2021           | 2022           |
|                          | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> |
| At beginning of the year | 247,607                | 368,913        | 368,913        |
| Addition (ii)            | 121,306                | –              | –              |
| At end of the year       | <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 Investment Limited and some other special vehicles (“2016 RSUs Scheme”), which were consolidated by the Group (Note 11). The Company has a repurchase obligation before [REDACTED] 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.

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**29 OTHER RESERVES**

**The Group**

|   | <b>Currency<br/>translation<br/>differences</b> | <b>Others</b>  | <b>Total</b>   |
|---|---|----------------|----------------|
|   | <i>RMB'000</i>                                  | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2020                           | 22,362  | 1,879          | 24,241         |
| Share-based compensation ( <i>Note 31</i> ) | –   | 27,691         | 27,691         |
| Currency translation differences            | 12,955  | –              | 12,955         |
|   | <u>35,317</u>                                   | <u>29,570</u>  | <u>64,887</u>  |
| At 31 December 2020                         | 35,317  | 29,570         | 64,887         |
| At 1 January 2021                           | 35,317  | 29,570         | 64,887         |
| Share-based compensation ( <i>Note 31</i> ) | –   | 151,529        | 151,529        |
| Currency translation differences            | 4,026   | –              | 4,026          |
|   | <u>39,343</u>                                   | <u>181,099</u> | <u>220,442</u> |
| At 31 December 2021                         | 39,343  | 181,099        | 220,442        |
| At 1 January 2022                           | 39,343  | 181,099        | 220,442        |
| Share-based compensation ( <i>Note 31</i> ) | –   | 78,984         | 78,984         |
| Currency translation differences            | (14,448)  | –              | (14,448)       |
|   | <u>24,895</u>                                   | <u>260,083</u> | <u>284,978</u> |
| At 31 December 2022                         | 24,895  | 260,083        | 284,978        |

**The Company**

|   | <b>Currency<br/>translation<br/>differences</b> | <b>Others</b>  | <b>Total</b>   |
|---|---|----------------|----------------|
|   | <i>RMB'000</i>                                  | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2020                           | 21,877  | 2,106          | 23,983         |
| Share-based compensation ( <i>Note 31</i> ) | –   | 28,208         | 28,208         |
| Currency translation differences            | 14,965  | –              | 14,965         |
|   | <u>36,842</u>                                   | <u>30,314</u>  | <u>67,156</u>  |
| At 31 December 2020                         | 36,842  | 30,314         | 67,156         |
| At 1 January 2021                           | 36,842  | 30,314         | 67,156         |
| Share-based compensation ( <i>Note 31</i> ) | –   | 153,560        | 153,560        |
| Currency translation differences            | 4,041   | –              | 4,041          |
|   | <u>40,883</u>                                   | <u>183,874</u> | <u>224,757</u> |
| At 31 December 2021                         | 40,883  | 183,874        | 224,757        |
| At 1 January 2022                           | 40,883  | 183,874        | 224,757        |
| Share-based compensation ( <i>Note 31</i> ) | –   | 79,176         | 79,176         |
| Currency translation differences            | 16,209  | –              | 16,209         |
|   | <u>57,092</u>                                   | <u>263,050</u> | <u>320,142</u> |
| At 31 December 2022                         | 57,092  | 263,050        | 320,142        |



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### 30 FINANCIAL LIABILITY FOR REDEEMABLE RIGHTS

|                     | As at 31 December |         |         |
|---------------------|-------------------|---------|---------|
|                     | 2020              | 2021    | 2022    |
|                     | RMB'000           | RMB'000 | RMB'000 |
| Non-current portion | 301,417           | 309,914 | 356,228 |

On 13 December 2019, the Company entered into an investment agreement with certain investor in round C investments. 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 certain investor in round C investments, if the Company fails to complete an [REDACTED] within four years after the consummation of certain investor in round C investments' investment, and certain investor in round C investments fails to exit by way of, including but not limited to, trade sale of the Company.

If the failure of [REDACTED] 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 [REDACTED] 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.

### 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 [REDACTED]. The Subscription price of the restricted shares is USD1.47 per ordinary share.

If Grantees A and Grantees B resigned within three-years 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 [REDACTED] of the Company, the Group shall repurchase restricted stock at USD2.94. As such the Group has a repurchase obligation before [REDACTED].

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.

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The fair value of the restricted shares has been valued to be USD2.94 and USD3.12 per share on the grant day respectively, by an independent qualified valuer using Black-Scholes model. Key assumptions are set as below:

|                         | <u>2017 plan</u> | <u>2018 plan</u> |
|-------------------------|------------------|------------------|
| 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 [REDACTED] 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:

|                         | <u>2021 plan A</u> |
|-------------------------|--------------------|
| Risk-free interest rate | 1.09%              |
| Expected volatility     | 51.11%             |
| 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:

|                         | <u>2020 plan</u> | <u>2021 plan B</u> |
|-------------------------|------------------|--------------------|
| 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 and 2021.

**(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 [REDACTED].

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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:

|                         | <u>2021 plan C</u> |
|-------------------------|--------------------|
| Risk-free interest rate | 1.5%               |
| Expected volatility     | 53.4%              |
| Discount rate           | 15%                |

No options expired during the years ended December 31 2021.

**(e) Expenses arising from share-based payment transactions**

|             | <u>Year ended 31 December</u> |                |                |
|-------------|-------------------------------|----------------|----------------|
|             | <u>2020</u>                   | <u>2021</u>    | <u>2022</u>    |
|             | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| 2017 Plan   | 315                           | 297            | (51)           |
| 2018 Plan   | 6,416                         | 552            | (110)          |
| 2020 Plan   | 27,313                        | 15,548         | 8,013          |
| 2021 Plan A | –                             | 14,827         | 7,105          |
| 2021 Plan B | –                             | 111,779        | 53,893         |
| 2021 Plan C | –                             | 10,557         | 10,326         |
|             | <u>34,044</u>                 | <u>153,560</u> | <u>79,176</u>  |

As at 31 December 2020, 2021 and 2022, the accumulated expenses arising from share-based payment transactions amounting to RMB30,313,000, RMB183,873,000 and RMB263,049,000, respectively are recognized in the share-based compensation reserve.

**32 TRADE PAYABLES**

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

|                      | <u>As at 31 December</u> |                |                |
|----------------------|--------------------------|----------------|----------------|
|                      | <u>2020</u>              | <u>2021</u>    | <u>2022</u>    |
|                      | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> |
| – Up to 3 months     | 78,004                   | 142,431        | 144,580        |
| – 3 to 6 months      | 1,622                    | 18,034         | 10,613         |
| – 6 months to 1 year | 2,204                    | 22,838         | 26,838         |
| – 1 to 2 years       | 18,892                   | 14,192         | 40,463         |
| – 2 to 3 years       | 6,772                    | 1,517          | 9,354          |
| – 3 to 4 years       | 9,683                    | 467            | 1,391          |
| – 4 to 5 years       | 5                        | 439            | 354            |
| – over 5 years       | 92                       | 78             | 517            |
|                      | <u>117,274</u>           | <u>199,996</u> | <u>234,110</u> |

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

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**33 OTHER PAYABLES AND ACCRUALS**

**The Group**

|   | As at 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Current</b>  |                   |                |                |
| Others due to related parties   | 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  | 42,293            | 46,759         | 36,600         |
| Payables for purchase of property, plant and equipment                                  | 5,890             | 2,178          | 2,067          |
| Tax payables  | 482               | 9,403          | 3,447          |
| Payment to eligible employees<br><i>(Note 31 (a)(b)(c))</i>                             | 65,055            | 95,864         | 96,943         |
| Short-term leases payables  | 2,451             | 1,064          | 2,112          |
| Accrual expenses  | 3,710             | 6,787          | 7,022          |
| [REDACTED] expenses   | [REDACTED]        | [REDACTED]     | [REDACTED]     |
| Others  | 6,154             | 9,240          | 3,578          |
| <b>Non-Current</b>  |                   |                |                |
| Others  | 300               | –              | –              |
|   | <u>163,560</u>    | <u>186,153</u> | <u>158,263</u> |

**The Company**

|  | As at 31 December |                |                |
|--|-------------------|----------------|----------------|
|  | 2020              | 2021           | 2022           |
|  | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Current</b>                                     |                   |                |                |
| Payment to eligible employees <i>(Note 31 (a))</i> | 37,747            | 36,041         | 39,370         |
| Others   | –                 | 6,166          | 6,583          |
| <b>Non-Current</b>                                 |                   |                |                |
| Payment to eligible employees <i>(Note 31 (a))</i> | –                 | –              | –              |
|  | <u>37,747</u>     | <u>42,207</u>  | <u>45,953</u>  |

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### 34 DEFERRED INCOME

|  | As at 31 December |         |         |
|--|-------------------|---------|---------|
|  | 2020              | 2021    | 2022    |
|  | RMB'000           | RMB'000 | RMB'000 |
| <b>Government grants</b>                 |                   |         |         |
| Income-related grants (a)                | 15,704            | 11,898  | 6,680   |
| To be realized within 12 months          | 5,730             | 8,318   | 4,460   |
| To be realized after more than 12 months | 9,974             | 3,580   | 2,220   |
|  | 15,704            | 11,898  | 6,680   |

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

### 35 BORROWINGS

|                                | As at 31 December |         |         |
|--------------------------------|-------------------|---------|---------|
|                                | 2020              | 2021    | 2022    |
|                                | RMB'000           | RMB'000 | RMB'000 |
| <i>Secured –</i>               |                   |         |         |
| Guaranteed Bank borrowings (a) | 310,988           | –       | –       |
| <i>Unsecured (b)</i>           | –                 | 390,050 | 509,700 |
|                                | 310,988           | 390,050 | 509,700 |
| Current                        | 71,118            | 460     | 280     |
| Non-current                    | 239,870           | 389,590 | 509,420 |

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

- (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.

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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.

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

|                       | <b>As at 31 December</b> |                |                |
|-----------------------|--------------------------|----------------|----------------|
|                       | <b>2020</b>              | <b>2021</b>    | <b>2022</b>    |
|                       | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year         | 71,118                   | 460            | 280            |
| Between 1 and 2 years | 89,950                   | 150,080        | 239,570        |
| Between 2 and 5 years | 149,920                  | 239,510        | 269,850        |
|                       | <u>310,988</u>           | <u>390,050</u> | <u>509,700</u> |

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

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**36 INVESTMENTS IN SUBSIDIARIES**

|   | As at 31 December |                  |                  |
|---|-------------------|------------------|------------------|
|   | 2020              | 2021             | 2022             |
|   | <i>RMB'000</i>    | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Investments in subsidiaries                                   | 1,851,837         | 2,005,398        | 2,111,977        |
| Less: allowance for impairment of investments in subsidiaries | –                 | –                | –                |
|   | <u>1,851,837</u>  | <u>2,005,398</u> | <u>2,111,977</u> |

The details of the subsidiaries are disclosed in note 11.

**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 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| Deferred income tax assets:   |                   |                |                |
| – Deferred income tax assets to be recovered after more than 12 months    | 4,634             | 3,102          | 1,105          |
| – Deferred income tax assets to be recovered within 12 months             | –                 | –              | –              |
|   | <u>4,634</u>      | <u>3,102</u>   | <u>1,105</u>   |
| Deferred income tax liabilities:  |                   |                |                |
| – Deferred income tax liabilities to be settled after more than 12 months | (13)              | (13)           | (13)           |
| – Deferred income tax liabilities to be settled within 12 months          | –                 | –              | –              |
|   | <u>(13)</u>       | <u>(13)</u>    | <u>(13)</u>    |
|   | <u>4,621</u>      | <u>3,089</u>   | <u>1,092</u>   |

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

|   | Year ended 31 December |                |                |
|---|------------------------|----------------|----------------|
|   | 2020                   | 2021           | 2022           |
|   | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> |
| At beginning of the year                            | 58                     | 4,621          | 3,089          |
| Credit/(charged) to income tax expense<br>(Note 13) | 4,539                  | (1,532)        | (1,997)        |
| Other   | 24                     | –              | –              |
| At end of the year                                  | <u>4,621</u>           | <u>3,089</u>   | <u>1,092</u>   |

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

|                                      | Deferred<br>income tax<br>assets-<br>provision for<br>impairment<br>loss | Deferred<br>income tax<br>assets-<br>provision for<br>inventories | Deferred<br>income tax<br>assets- RSUs<br>and options | Deferred<br>income tax<br>assets- right-<br>of-use assets | Deferred<br>income tax<br>assets- Tax<br>losses | Deferred<br>income tax<br>liabilities-<br>accelerated<br>depreciation | Total        |
|--------------------------------------|--|---|---|---|---|---|--------------|
| As at 1 January 2020                 | 1  | 71  | -   | -   | -   | (14)  | 58           |
| Credited/(charged) to profit or loss | 8  | (15)  | 61  | -   | 4,508   | 1   | 4,563        |
| <b>As at 31 December 2020</b>        | <b>9</b>   | <b>56</b>   | <b>61</b>   | <b>-</b>  | <b>4,508</b>                                    | <b>(13)</b>   | <b>4,621</b> |
| (Charged)/credited to profit or loss | 122  | (33)  | 1,800   | 32  | (3,453)   | -   | (1,532)      |
| <b>As at 31 December 2021</b>        | <b>131</b>   | <b>23</b>   | <b>1,861</b>  | <b>32</b>   | <b>1,055</b>                                    | <b>(13)</b>   | <b>3,089</b> |
| (Charged)/credited to profit or loss | (11)   | (23)  | (1,861)   | -   | (102)   | -   | (1,997)      |
| <b>As at 31 December 2022</b>        | <b>120</b>   | <b>-</b>  | <b>-</b>  | <b>32</b>   | <b>953</b>                                      | <b>(13)</b>   | <b>1,092</b> |

**38 CASH FLOW INFORMATION**

(a) **Cash used in operations**

|   | Year ended 31 December |                 |                 |
|---|------------------------|-----------------|-----------------|
|   | 2020                   | 2021            | 2022            |
|   | RMB'000                | RMB'000         | RMB'000         |
| Loss before income tax:   | (203,021)              | (292,847)       | (238,308)       |
| Adjustments for:  |                        |                 |                 |
| - Depreciation and amortization                                 | 57,165                 | 41,830          | 34,020          |
| - Net losses/(gains) on disposal of subsidiaries and associates | 4,972                  | (17,194)        | (8,532)         |
| - Net gains on disposal of Assets classified as held for sale   | -                      | (744)           | -               |
| - Share-based compensation                                      | 34,044                 | 153,560         | 79,176          |
| - Other income – interest on wealth management products         | (829)                  | (306)           | -               |
| - Other gains/(losses) on disposal of long-term assets          | 542                    | (2,864)         | (2,368)         |
| - Disposal of long-term assets                                  | 346                    | 1               | 359             |
| - Share of losses of associates                                 | 3,909                  | 4,148           | 4,762           |
| - Finance costs – net   | 43,155                 | 35,103          | 38,069          |
| - Exchange losses/(gains)                                       | 19,623                 | (1,709)         | 12,733          |
| Change in working capital:                                      |                        |                 |                 |
| - Inventories   | 12,603                 | (23,183)        | (19)            |
| - Provisions  | 24,139                 | 23,591          | 35,866          |
| - Other operating assets  | (64,598)               | (94,631)        | (87,126)        |
| - Other operating liabilities                                   | 49,858                 | 90,725          | 55,826          |
| <b>Cash used in operations</b>                                  | <b>(18,092)</b>        | <b>(84,520)</b> | <b>(75,542)</b> |



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**(b) Net debt reconciliation**

|   | As at 31 December |                  |                  |
|---|-------------------|------------------|------------------|
|   | 2020              | 2021             | 2022             |
|   | <i>RMB'000</i>    | <i>RMB'000</i>   | <i>RMB'000</i>   |
| Cash and cash equivalents                 | 391,681           | 364,737          | 350,748          |
| Liquid investments                        | 27,690            | –                | –                |
| Borrowings                                | (310,988)         | (390,050)        | (509,700)        |
| Lease liabilities                         | (132,790)         | (65,169)         | (61,624)         |
| Financial liability for redeemable rights | (301,417)         | (309,914)        | (356,228)        |
| <b>Net debt</b>                           | <b>(325,824)</b>  | <b>(400,396)</b> | <b>(576,804)</b> |
| Cash and liquid investments               | 419,371           | 364,737          | 350,748          |
| Gross debt                                | (745,195)         | (765,133)        | (927,552)        |
| <b>Net debt</b>                           | <b>(325,824)</b>  | <b>(400,396)</b> | <b>(576,804)</b> |

**Liabilities from financing activities**

|  | Financial instruments with redeemable rights |                  |  | Total            |
|--|--|------------------|--|------------------|
|  | Borrowings                                   | Leases           | Financial instruments with redeemable rights |                  |
|  | <i>RMB'000</i>                               | <i>RMB'000</i>   | <i>RMB'000</i>                               |                  |
| <b>Debt as at 01/01/2020</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>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>Debt as at 31/12/2021</b>                 | <b>(390,050)</b>                             | <b>(65,169)</b>  | <b>(309,914)</b>                             | <b>(765,133)</b> |

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|   | Liabilities from financing activities |                 |  |                  |
|---|---------------------------------------|-----------------|--|------------------|
|   | Borrowings                            | Leases          | Financial instruments with redeemable rights | Total            |
|   | <i>RMB'000</i>                        | <i>RMB'000</i>  | <i>RMB'000</i>                               | <i>RMB'000</i>   |
| 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 ( <i>Note 10</i> )     | –                                     | (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>Debt as at 31/12/2022</b>            | <b>(509,700)</b>                      | <b>(61,624)</b> | <b>(356,228)</b>                             | <b>(927,552)</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:

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

### 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, the Group acquired 10% equity of Taiyuan XiKang Cloud Hospital Management Co., Ltd. (“Taiyuan Xikang”). Taiyuan Xikang became the wholly owned subsidiary of the group.

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

|  | Year ended 31 December |                |                |
|--|------------------------|----------------|----------------|
|  | 2020                   | 2021           | 2022           |
|  | <i>RMB'000</i>         | <i>RMB'000</i> | <i>RMB'000</i> |
| 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            | –              |

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### 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 RMB15.38 million and RMB6.71 million to the Group and the net loss of RMB9.40 million and RMB4.86 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 Co., Ltd. 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.

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

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

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

**42 STATEMENTS OF CHANGES IN EQUITY OF THE COMPANY**

|                                    | <b>Share capital</b> | <b>Share premium</b> | <b>Treasury shares</b> | <b>Other reserves</b> | <b>Retained earnings</b> | <b>Total</b>     |
|------------------------------------|----------------------|----------------------|------------------------|-----------------------|--------------------------|------------------|
|                                    | <i>RMB'000</i>       | <i>RMB'000</i>       | <i>RMB'000</i>         | <i>RMB'000</i>        | <i>RMB'000</i>           | <i>RMB'000</i>   |
| <b>Balance at 1 January 2020</b>   | 867                  | 1,653,342            | (183,864)              | 23,983                | 89,153                   | 1,583,481        |
| <b>Comprehensive loss</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> | <b>940</b>           | <b>1,932,070</b>     | <b>(305,170)</b>       | <b>67,156</b>         | <b>96,504</b>            | <b>1,791,500</b> |
| <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> | <b>940</b>           | <b>1,932,070</b>     | <b>(305,170)</b>       | <b>224,757</b>        | <b>64,723</b>            | <b>1,917,320</b> |
| <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 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> | <b>940</b>           | <b>1,932,070</b>     | <b>(305,170)</b>       | <b>320,142</b>        | <b>31,821</b>            | <b>1,979,803</b> |

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## ACCOUNTANT’S REPORT

### 43 RELATED PARTY TRANSACTIONS

The significant transactions carried out between the Group and its related parties during the track record periods 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

| Name of related party   | Nature of relationship            |
|---|-----------------------------------|
| 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 Digital Certification 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 System Integration 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 |

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| Name of related party   | Nature of relationship            |
|---|-----------------------------------|
| Shenyang Neusoft Xinglin Intelligent Medical Enterprise Management Co., Ltd | Subsidiary of Neusoft Corporation |
| 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 |
| 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    |
| Haorong Investment Management (Shanghai) Co., Ltd                           | Subsidiary of Neusoft Holdings    |
| Guangzhou Sirui Information Technology Co., Ltd                             | Subsidiary of Neusoft Holdings    |
| Qingdao Sirui Information Technology Co., Ltd                               | Subsidiary of Neusoft Holdings    |
| Tianjin Sirui Information Technology Co., Ltd                               | 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 Institute 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 Neusoft Training School Co. Ltd                                      | Subsidiary of Neusoft Holdings    |
| Guangdong Ruidao Co-Create Technology Co., Ltd                              | Subsidiary of Neusoft Holdings    |
| Beijing Neusoft Ruidao Education Technology Co., Ltd. (Liquidated)          | Subsidiary of Neusoft Holdings    |
| 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    |

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| Name of related party  | Nature of relationship                                       |
|--|--|
| Beijing Neusoft Yuetong Software Technology Co. Ltd  | Subsidiary of Neusoft Holdings                               |
| Neusoft Yuetong Software Technology (Dalian) Co., Ltd  | Subsidiary of Neusoft Holdings                               |
| Qiqin Technology (Beijing) Co., Ltd. (former name: Beijing Neusoft Huiju Information Technology Co., Ltd.) | Subsidiary of Neusoft Holdings                               |
| Dalian Neusoft Holding Ruikang Medical Management Co., Ltd.  | Subsidiary of Neusoft Holdings                               |
| Shanghai Yixun Dechi Education Technology 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                                |
| East China Sea Shipping Insurance Co., Ltd   | Subsidiary of PICC P&C                                       |
| PICC Life Insurance Co., Ltd.  | Subsidiary of PICC P&C                                       |
| PICC Health Insurance Co., Ltd.  | Subsidiary of PICC P&C                                       |
| PICC Asset Management Co. Ltd  | Subsidiary of PICC P&C                                       |
| Huaxia Bank Co., Ltd   | Subsidiary of PICC P&C                                       |
| Zhejiang tailong commercial 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 Hui ren Healthcare Management Co., Ltd.   | Parent of Associates   |
| Liaoning Jinhai Real Estate Development Group Co., Ltd.<br>(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  | 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 |
| Shenyang Neusoft Chengye Medical Service 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)

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**(b) Significant transactions with related parties**

*(i) Purchases medical consumable and smart healthcare products*

|  | Year ended 31 December |              |              |
|--|------------------------|--------------|--------------|
|  | 2020                   | 2021         | 2022         |
|  | RMB'000                | RMB'000      | RMB'000      |
| Neusoft Corporation and its subsidiaries | 806                    | 3,236        | 907          |
| Neusoft Medical and its subsidiaries     | 2,207                  | 1,764        | 1,519        |
|  | <u>3,013</u>           | <u>5,000</u> | <u>2,426</u> |

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

|  | Year ended 31 December |              |               |
|--|------------------------|--------------|---------------|
|  | 2020                   | 2021         | 2022          |
|  | RMB'000                | RMB'000      | RMB'000       |
| Neusoft Corporation and its subsidiaries     | 8,113                  | 4,829        | 7,671         |
| Neusoft Medical and its subsidiaries         | 4,718                  | 4,555        | 2,091         |
| Neusoft Holdings and its subsidiaries        | 258                    | 264          | 277           |
| Associates, its parents and its subsidiaries | 122                    | 122          | –             |
|  | <u>13,211</u>          | <u>9,770</u> | <u>10,039</u> |

*(iii) Purchases of fixed assets*

|  | Year ended 31 December |              |            |
|--|------------------------|--------------|------------|
|  | 2020                   | 2021         | 2022       |
|  | RMB'000                | RMB'000      | RMB'000    |
| 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> |

*(iv) Purchases of right-of-use assets*

|  | Year ended 31 December |               |          |
|--|------------------------|---------------|----------|
|  | 2020                   | 2021          | 2022     |
|  | RMB'000                | RMB'000       | RMB'000  |
| Neusoft Corporation and its subsidiaries | –                      | 11,022        | –        |
| Neusoft Medical and its subsidiaries     | –                      | 654           | –        |
|  | <u>–</u>               | <u>11,676</u> | <u>–</u> |



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(v) *Purchase of patented technology*

|  | Year ended 31 December |         |         |
|--|------------------------|---------|---------|
|  | 2020                   | 2021    | 2022    |
|  | RMB'000                | RMB'000 | RMB'000 |
| Neusoft Corporation and its subsidiaries | –                      | 1,132   | –       |

(vi) *Sales of cloud hospital platform service*

|  | Year ended 31 December |              |              |
|--|------------------------|--------------|--------------|
|  | 2020                   | 2021         | 2022         |
|  | RMB'000                | RMB'000      | RMB'000      |
| Neusoft Corporation and its subsidiaries     | 895                    | 3,825        | 2,306        |
| Associates, its parents and its subsidiaries | –                      | –            | 42           |
| Neusoft Holdings and its subsidiaries        | –                      | 220          | –            |
|  | <u>895</u>             | <u>4,045</u> | <u>2,348</u> |

(vii) *Sales of internet medical services*

|                                      | Year ended 31 December |         |         |
|--------------------------------------|------------------------|---------|---------|
|                                      | 2020                   | 2021    | 2022    |
|                                      | RMB'000                | RMB'000 | RMB'000 |
| Neusoft Medical and its subsidiaries | 575                    | 2,795   | 5,311   |

(viii) *Sales of health management services*

|  | Year ended 31 December |              |              |
|--|------------------------|--------------|--------------|
|  | 2020                   | 2021         | 2022         |
|  | RMB'000                | RMB'000      | RMB'000      |
| Neusoft Corporation and its subsidiaries   | 4,794                  | 4,958        | 5,009        |
| Neusoft Holdings and its subsidiaries  | 1,675                  | 430          | 701          |
| PICC P&C and its subsidiaries  | 1,727                  | 100          | 136          |
| Associates, its parents and its subsidiaries                                     | 1,156                  | 770          | 429          |
| Neusoft Medical and its subsidiaries   | 524                    | 581          | 635          |
| Related parties controlled or significant influenced by key management personnel | 35                     | –            | –            |
|  | <u>9,911</u>           | <u>6,839</u> | <u>6,910</u> |

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*(ix) Sales of smart healthcare Services*

|  | Year ended 31 December |              |              |
|--|------------------------|--------------|--------------|
|  | 2020                   | 2021         | 2022         |
|  | RMB'000                | RMB'000      | RMB'000      |
| Neusoft Corporation and its subsidiaries | 4,014                  | 5,806        | 1,842        |
| Neusoft Holdings and its subsidiaries    | 187                    | 199          | –            |
|  | <u>4,201</u>           | <u>6,005</u> | <u>1,842</u> |

*(x) Interest Expenses*

|              | Year ended 31 December |            |          |
|--------------|------------------------|------------|----------|
|              | 2020                   | 2021       | 2022     |
|              | RMB'000                | RMB'000    | RMB'000  |
| Aerotel Ltd. | 340                    | 421        | –        |
|              | <u>340</u>             | <u>421</u> | <u>–</u> |

*(xi) Lease expenses and property service*

|  | Year ended 31 December |              |              |
|--|------------------------|--------------|--------------|
|  | 2020                   | 2021         | 2022         |
|  | RMB'000                | RMB'000      | RMB'000      |
| Associates, its parents and its subsidiaries | 939                    | 784          | 790          |
| Neusoft Medical and its subsidiaries         | 241                    | 207          | –            |
| Neusoft Holdings and its subsidiaries        | 90                     | –            | –            |
| Neusoft Corporation and its subsidiaries     | 20                     | 2,158        | 1,215        |
|  | <u>1,290</u>           | <u>3,149</u> | <u>2,005</u> |

*(xii) Disposal of equity*

|  | Year ended 31 December |          |          |
|--|------------------------|----------|----------|
|  | 2020                   | 2021     | 2022     |
|  | RMB'000                | RMB'000  | RMB'000  |
| Associates, its parents and its subsidiaries | 2,550                  | –        | –        |
|  | <u>2,550</u>           | <u>–</u> | <u>–</u> |

*(xiii) Acceptance of guarantees*

|                                       | As at 31 December |          |          |
|---------------------------------------|-------------------|----------|----------|
|                                       | 2020              | 2021     | 2022     |
|                                       | RMB'000           | RMB'000  | RMB'000  |
| Neusoft Holdings and its subsidiaries | 310,910           | –        | –        |
|                                       | <u>310,910</u>    | <u>–</u> | <u>–</u> |

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(c) Year ended balances with related parties

|  | As at 31 December |                |                |
|--|-------------------|----------------|----------------|
|  | 2020              | 2021           | 2022           |
|  | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Amount due from related party – trade receivables</b> |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Neusoft Corporation and its subsidiaries                 | 8,418             | 13,632         | 8,774          |
| Neusoft Holdings and its subsidiaries                    | 466               | 136            | 470            |
| Associates, its parents and its subsidiaries             | 336               | 520            | 369            |
| PICC P&C and its subsidiaries                            | 257               | 87             | –              |
| Neusoft Medical and its subsidiaries                     | 193               | 461            | 1,359          |
|  | <u>9,670</u>      | <u>14,836</u>  | <u>10,972</u>  |
| <b>Amount due from related party – contract assets</b>   |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Neusoft Corporation and its subsidiaries                 | 778               | 409            | 294            |
|  | <u>778</u>        | <u>409</u>     | <u>294</u>     |
| <b>Amount due from related party – other receivables</b> |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Associates, its parents and its subsidiaries             | 110               | 100            | 10             |
| Neusoft Corporation and its subsidiaries                 | 3                 | 552            | 1,101          |
| Neusoft Medical and its subsidiaries                     | –                 | –              | 259            |
|  | <u>113</u>        | <u>652</u>     | <u>1,370</u>   |
| <b>Amount due from related party – prepayments</b>       |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Neusoft Medical and its subsidiaries                     | 339               | 272            | 41             |
| Neusoft Corporation and its subsidiaries                 | 119               | 84             | 84             |
|  | <u>458</u>        | <u>356</u>     | <u>125</u>     |
| <b>Amount due to related party – trade payables</b>      |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Neusoft Corporation and its subsidiaries                 | 9,819             | 10,954         | 13,738         |
| Neusoft Medical and its subsidiaries                     | 370               | 409            | 1,331          |
| Related parties with the same key management             | 181               | –              | –              |
| Neusoft Holdings and its subsidiaries                    | 20                | –              | –              |
|  | <u>10,390</u>     | <u>11,363</u>  | <u>15,069</u>  |

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|   | As at 31 December |                |                |
|---|-------------------|----------------|----------------|
|   | 2020              | 2021           | 2022           |
|   | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Amount due to related party – other payables</b> |                   |                |                |
| <b>Trade</b>  |                   |                |                |
| Neusoft Corporation and its subsidiaries            | 5,646             | 828            | 828            |
| Associates, its parents and its subsidiaries        | 3,492             | 5,798          | 1,973          |
| Neusoft Medical and its subsidiaries                | 294               | 114            | 41             |
| Neusoft Holdings and its subsidiaries               | 49                | –              | –              |
|   | <u>9,481</u>      | <u>6,740</u>   | <u>2,842</u>   |
| <b>Non-trade</b>                                    |                   |                |                |
| Aerotel Ltd.  | <u>9,008</u>      | <u>9,218</u>   | <u>–</u>       |

The directors of the Company have settled in full the non-trade amounts due to related party prior to the [REDACTED].

|  | As at 31 December |                |                |
|--|-------------------|----------------|----------------|
|  | 2020              | 2021           | 2022           |
|  | <i>RMB'000</i>    | <i>RMB'000</i> | <i>RMB'000</i> |
| <b>Amount due to related party – contract liabilities</b>  |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Associates, its parents and its subsidiaries               | 1,191             | 44             | 159            |
| Neusoft Corporation and its subsidiaries                   | 226               | –              | 45             |
| PICC P&C and its subsidiaries                              | 138               | 15             | 106            |
| Neusoft Holdings and its subsidiaries                      | 15                | 44             | 2              |
| Neusoft Medical and its subsidiaries                       | –                 | –              | 25             |
|  | <u>1,570</u>      | <u>103</u>     | <u>337</u>     |
| <b>Amount due from related party – right-of-use assets</b> |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Associates, its parents and its subsidiaries               | 3,600             | 3,060          | 1,703          |
| Neusoft Corporation and its subsidiaries                   | 3,367             | 17,114         | 7,810          |
| Neusoft Medical and its subsidiaries                       | –                 | 617            | 399            |
|  | <u>6,967</u>      | <u>20,791</u>  | <u>9,912</u>   |
| <b>Amount due to related party – lease liabilities</b>     |                   |                |                |
| <b>Trade</b>   |                   |                |                |
| Associates, its parents and its subsidiaries               | 6,424             | 6,591          | 4,048          |
| Neusoft Corporation and its subsidiaries                   | 4,923             | 13,945         | 8,090          |
| Neusoft Medical and its subsidiaries                       | –                 | 623            | 434            |
|  | <u>11,347</u>     | <u>21,159</u>  | <u>12,572</u>  |

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**(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:

|  | <b>Year ended 31 December</b> |                |                |
|--|-------------------------------|----------------|----------------|
|  | <b>2020</b>                   | <b>2021</b>    | <b>2022</b>    |
|  | <i>RMB'000</i>                | <i>RMB'000</i> | <i>RMB'000</i> |
| Wages, salaries and bonuses                | 6,880                         | 9,273          | 6,855          |
| Pension costs – defined contribution plans | 103                           | 258            | 377            |
| Other social security costs                | 113                           | 222            | 219            |
| Housing benefits                           | 153                           | 164            | 196            |
| Share-based compensation                   | 10,528                        | 47,988         | 30,595         |
|  | <u>17,777</u>                 | <u>57,905</u>  | <u>38,242</u>  |

**44 BENEFITS AND INTERESTS OF DIRECTORS**

**(a) Directors’ emoluments**

Directors emoluments for the Track Record Period are set out as follows:

|  | <i>Note</i> | Wages,<br>salaries and<br>bonuses | Pension<br>costs – defined<br>contribution<br>plans | Social<br>security<br>costs | Housing<br>benefits | Share-based<br>compensation<br>expenses | Total          |
|--|-------------|-----------------------------------|---|-----------------------------|---------------------|---|----------------|
|  |             | <i>RMB'000</i>                    | <i>RMB'000</i>                                      | <i>RMB'000</i>              | <i>RMB'000</i>      | <i>RMB'000</i>                          | <i>RMB'000</i> |
| For the year ended<br>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<br>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>  |

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ACCOUNTANT’S REPORT

|  | Note   | Wages,<br>salaries and<br>bonuses | Pension<br>costs – defined<br>contribution<br>plans | Social<br>security<br>costs | Housing<br>benefits | Share-based<br>compensation<br>expenses | Total         |
|--|--------|-----------------------------------|---|-----------------------------|---------------------|---|---------------|
|  |        | RMB'000                           | RMB'000   | RMB'000                     | RMB'000             | RMB'000                                 | RMB'000       |
| For the year ended<br>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 Chengchuang                         | (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> |

- (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 at 26 May 2021.
- (vi) Mr. Yuan Bing was appointed as a director with effect from 28 October 2019 and resigned at 30 December 2022.
- (vii) Mr. Chen Lianyong was appointed as a director with effect from 27 December 2019.
- (viii) Mr. Pu Chengchuang 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 Track Record 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 Track Record 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 Track Record Period.

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## ACCOUNTANT’S REPORT

### (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 Track Record Period.

### (f) Five highest paid individuals

For the years ended 31 December 2020, 2021 and 2022, the five individuals whose emoluments were the highest in the Group include 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 |                |                |
|---|------------------------|----------------|----------------|
|   | 2020                   | 2021           | 2022           |
|   | <i>RMB’000</i>         | <i>RMB’000</i> | <i>RMB’000</i> |
| Salaries  | 4,400                  | 6,492          | 4,505          |
| Share-based compensation expenses                                   | 6,610                  | 32,866         | 20,941         |
| Social security costs, housing benefits and other employee benefits | 286                    | 482            | 616            |
|   | <u>11,296</u>          | <u>39,840</u>  | <u>26,062</u>  |

The remaining highest paid individuals fell within the following bands:

|                             | Year ended 31 December |          |          |
|-----------------------------|------------------------|----------|----------|
|                             | 2020                   | 2021     | 2022     |
| Emolument bands             |                        |          |          |
| Nil to HKD500,000           | –                      | –        | –        |
| HKD500,001 – HKD1,000,000   | –                      | –        | –        |
| HKD1,000,001 – HKD1,500,000 | –                      | –        | –        |
| HKD1,500,001 – HKD2,000,000 | –                      | –        | –        |
| HKD2,000,001 – HKD2,500,000 | 1                      | –        | –        |
| HKD2,500,001 – HKD3,000,000 | 1                      | –        | –        |
| Over HKD3,000,000           | 2                      | 4        | 4        |
|                             | <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 and 2022.

### 46 CONTINGENCIES

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

### 47 SUBSEQUENT EVENTS

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.

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**APPENDIX I**

**ACCOUNTANT'S REPORT**

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**III SUBSEQUENT FINANCIAL STATEMENTS**

[No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022 and up to the date of this report.]



**APPENDIX II                      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

The information set out in this Appendix does not form part of the Accountant’s Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited [REDACTED] financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountant’s Report set out in Appendix I to this document.

**A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following unaudited [REDACTED] statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2022 as if the [REDACTED] had taken place on December 31, 2022.

The unaudited [REDACTED] statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the [REDACTED] been completed as at December 31, 2022 or at any future dates following the [REDACTED].

| Audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 | Estimated impact related to the re-designation of financial instruments with redeemable rights and restricted shares granted to eligible employees upon the [REDACTED] | Estimated net [REDACTED] from the [REDACTED] | Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2022 | Unaudited [REDACTED] adjusted consolidated net tangible assets per Share |
|--|--|--|---|--|
| <i>(Note 1)</i><br>RMB’000   | <i>(Note 2)</i><br>RMB’000   | <i>(Note 3)</i><br>RMB’000                   | RMB’000   | <i>(Note 4)</i><br>RMB   |
|  |  |  |   | <i>(Note 6)</i><br>HK\$  |

Based on an [REDACTED] of HK\$[REDACTED] per Share

|             |            |            |            |            |            |
|-------------|------------|------------|------------|------------|------------|
| [(455,653)] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|-------------|------------|------------|------------|------------|------------|

Based on an [REDACTED] of HK\$[REDACTED] per Share

|             |            |            |            |            |            |
|-------------|------------|------------|------------|------------|------------|
| [(455,653)] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
|-------------|------------|------------|------------|------------|------------|

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## APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION

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*Notes:*

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 is extracted from the Accountant’s Report set out in Appendix I to this document, which is based on the audited consolidated net liabilities of the Group attributable to the equity holders of the Company as at December 31, 2022 of approximately RMB[451,806,000], with adjustment for intangible assets as at December 31, 2022 of approximately RMB[3,847,000].
- (2) Upon the [REDACTED], the financial instruments with redeemable rights and the restricted shares granted to eligible employees will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited [REDACTED] financial information, the unaudited [REDACTED] adjusted net tangible assets attributable to the owners of the Company will be increased by RMB[REDACTED], being the aggregated carrying amounts of the financial instruments with redeemable rights and the restricted shares granted to eligible employees as of December 31, 2022.
- (3) The estimated net [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per share, being the low and high end of the indicative [REDACTED], respectively, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately RMB[REDACTED] which have been accounted for in the consolidated statements of comprehensive income of the Group prior to December 31, 2022) paid/payable by the Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed “Share Capital” in this document.
- (4) The unaudited [REDACTED] net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that [REDACTED] Shares were in issue, assuming that the [REDACTED] [and the Share Subdivision] have been completed on December 31, 2022 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed ‘Share Capital’ in this document.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2022.
- (6) For the purpose of this unaudited [REDACTED] adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$[1.1261]. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II      UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND THE CAYMAN ISLANDS COMPANIES LAWS**

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**SUMMARY OF THE CONSTITUTION OF THE COMPANY**

**1     Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association will be published on the websites of the Stock Exchange and our Company specified in Appendix V in the section headed "Documents available on display".

**2     Articles of Association**

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

**2.1   *Classes of Shares***

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$[●] divided into [●] shares of US\$[●] each.

**2.2   *Directors***

*(a)   Power to allot and issue Shares*

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

*(b) Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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*(f) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;



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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
  - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his term of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may also by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
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be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

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

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(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have a second or casting vote.

**2.3 *Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

**2.4 *Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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*2.5 Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Act.

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***2.6 Special resolution – majority required***

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

***2.7 Voting rights***

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting (a) every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have the right to speak, (b) on a show of hands, every member present in such manner shall have one vote, and (c) on a poll, every member present in such manner shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

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A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

***2.8 Annual general meetings and extraordinary general meetings***

The Company shall hold a general meeting as its annual general meeting in each financial year. The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Directors do not

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within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

**2.9 *Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.



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***2.10 Auditors***

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

***2.11 Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

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The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

***2.12 Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

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The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

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***2.13 Power of the Company to purchase its own shares***

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

***2.14 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

***2.15 Dividends and other methods of distribution***

Subject to the Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

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Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may

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disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

**2.16 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

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*2.17 Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

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A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

***2.18 Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

***2.19 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairperson which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.



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A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

***2.20 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

***2.21 Procedure on liquidation***

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the

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benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

***2.22 Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

**SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**

**1 Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**2 Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 May 2011 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

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**3     Share Capital**

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

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Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

### **4    Dividends and Distributions**

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

### **5    Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

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### **6      Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

### **7      Disposal of Assets**

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

### **8      Accounting and Auditing Requirements**

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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### **9     Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

### **10    Inspection of Books and Records**

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **11    Special Resolutions**

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

### **12    Subsidiary Owning Shares in Parent**

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

### **13    Mergers and Consolidations**

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

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liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

**14 Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

**15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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**16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**17 Restructuring**

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

**18 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.



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**19 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**20 Taxation**

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company;  
or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

**21 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**22 General**

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display as referred to in the section headed "Documents available on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### A. FURTHER INFORMATION ABOUT OUR GROUP

#### 1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act on May 12, 2011 as an exempted company with limited liability. Our registered office address is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

Our registered place of business in Hong Kong is 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 1, 2021, and our Company’s principal place of business in Hong Kong is at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. Mr. Wong Wai Chiu has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong.

As at the date of this document, our Company’s head office was located at Room 2070, Building 2, Lane 1800, Xinyang Road, Pilot Free Trade Zone Lin-Gang Special Area, Shanghai, the PRC.

#### 2. Changes in Share Capital

On May 12, 2011, our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each.

There has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

#### 3. Changes in the share capital of our subsidiaries and Consolidated Affiliated Entities

A summary of the corporate information and the particulars of our subsidiaries and Consolidated Affiliated Entities are set out in note 11 to the Accountant’s Report as set out in Appendix I to this document.

The following sets out the change in the share capital of our subsidiaries and Consolidated Affiliated Entities during the two years immediately preceding the date of this document:

(a) *Taiyuan Xikang Cloud Hospital Management Co., Ltd.* (“*Taiyuan Xikang*”)

On December 12, 2021, the registered share capital of Taiyuan Xikang was reduced from RMB10 million to RMB9 million.

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*(b) Heilongjiang Neusoft Xikang Technology Co., Ltd. (“Heilongjiang Xikang”)*

On March 30, 2023, the registered share capital of Heilongjiang Xikang was increased from RMB5 million to RMB17.05 million.

*(c) Hubei Xikang Healthcare Management Co., Ltd. (“Hubei Xikang”)*

On April 3, 2023, the registered share capital of Hubei Xikang was increased from RMB1 million to RMB40 million.

*(d) Wuhan Jinghan Xikang Comprehensive Clinic Co., Ltd. (“Wuhan Clinic”)*

On April 6, 2023, the registered share capital of Wuhan Clinic was increased from RMB5 million to RMB30 million.

Save as disclosed above, there has been no alteration in the share capital of any of our subsidiaries or Consolidated Affiliated Entities of our Company within two years immediately preceding the date of this document.

Save for the subsidiaries and the Consolidated Affiliated Entities mentioned in the Accountant’s Report set out in Appendix I to this document, our Company has no other subsidiaries or Consolidated Affiliated Entities.

#### **4. Resolutions of the Shareholders of Our Company dated [●]**

On [●] 2023, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in the section headed “Structure of the [REDACTED]” and pursuant to the terms set out therein:

- (1) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the [REDACTED];
- (2) the [REDACTED] and the grant of the [REDACTED] were approved and the Directors, were authorised to allot and issue new Shares pursuant to the [REDACTED];
- (3) the [REDACTED] was approved and the Directors, or a committee of Directors duly authorised by the Directors or the Authorised Signatory, were authorised to implement the [REDACTED];
- (4) each ordinary Share then (including ordinary Shares, Class A Ordinary Shares, Class B Ordinary Shares and Class C Ordinary Shares) of US\$0.001 par value was subdivided into five ordinary Shares of US\$0.0002 par value each;

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- (5) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors pursuant to the Articles of Association to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:

- (A) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED]; and
- (B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (II) the end of the period within which the Company is required by the Articles of Association or any applicable laws to hold its next annual general meeting and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**"), and the Directors were authorised to exercise the powers of the Company referred to above in respect of the share capital of the Company referred to in paragraph (B) above; and

- (6) a general unconditional mandate was granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (II) the end of the period within which the Company is required by the Articles of Association or any applicable laws to hold its next annual general meeting and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

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### 5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

#### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

##### (i) *Shareholders' approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] presuming the Assumptions, with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

##### (ii) *Source of funds*

Any repurchases of Shares by us must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

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### *(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

### *(iv) Status of Repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Act.

### *(v) Suspension of Repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the

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Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

***(b) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

***(c) Funding of repurchases***

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to Cayman Companies Act, out of capital.

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However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

### *(d) General*

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] presuming the Assumptions, could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.



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Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

### B. FURTHER INFORMATION ABOUT OUR BUSINESS

#### 1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) a share transfer agreement dated May 17, 2021 entered into among Mr. Hou Ning and Ms. Wang Shuli, pursuant to which Mr. Hou Ning agreed to transfer 20% equity interests in Xikang Information to Ms. Wang Shuli for a consideration of RMB2 million;
- (b) a share transfer agreement dated May 17, 2021 entered into among Mr. Hou Ning and Ms. Wang Shuli, pursuant to which Mr. Hou Ning agreed to transfer 20% equity interests in Xikang Medical to Ms. Wang Shuli for a consideration of RMB20 thousand;
- (c) a termination agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Ms. Zong Wenhong, Ms. Wang Shuli, Mr. Hou Ning, and (iii) Xikang Information, pursuant to which the parties agreed to terminate the exclusive consultancy and technical support services agreement, exclusive option agreement, shareholders voting proxy agreement, equity pledge agreement, and the loan agreement;
- (d) a termination agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Ms. Zong Wenhong, Ms. Wang Shuli, Mr. Hou Ning, and (iii) Xikang Medical, pursuant to which the parties agreed to terminate the exclusive consultancy and technical support services agreement, exclusive option agreement, shareholders voting proxy agreement, equity pledge agreement, and the loan agreement;
- (e) an exclusive option agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Ms. Zong Wenhong, Ms. Wang Shuli and (iii) Xikang Information, pursuant to which Ms. Zong Wenhong and Ms. Wang Shuli unconditionally and irrevocably agreed to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in Xikang Information from Ms. Zong Wenhong and Ms. Wang Shuli, for the minimum amount of consideration permitted by applicable PRC Laws;

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- (f) an exclusive option agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Ms. Zong Wenhong, Ms. Wang Shuli and (iii) Xikang Medical, pursuant to which Ms. Zong Wenhong and Ms. Wang Shuli unconditionally and irrevocably agreed to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in Xikang Medical from Ms. Zong Wenhong and Ms. Wang Shuli, for the minimum amount of consideration permitted by applicable PRC Laws;
- (g) an exclusive management consultancy and business cooperation agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Xikang Information and (iii) Ms. Zong Wenhong and Ms. Wang Shuli, pursuant to which Xikang Information agreed to engage Xikang WFOE as the exclusive provider of corporate management consultation, intellectual property licensing services and technical and business support services in return for service fees;
- (h) an exclusive management consultancy and business cooperation agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Xikang Medical and (iii) Ms. Zong Wenhong and Ms. Wang Shuli, pursuant to which Xikang Medical agreed to engage Xikang WFOE as the exclusive provider of corporate management consultation, intellectual property licensing services and technical and business support services in return for service fees;
- (i) an equity pledge agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Ms. Zong Wenhong, Ms. Wang Shuli and (iii) Xikang Information, pursuant to which Ms. Zong Wenhong and Ms. Wang Shuli unconditionally and irrevocably pledged all of their equity interests (including any increased equity interests and the related dividends and bonuses) in Xikang Information in favor of Xikang WFOE;
- (j) an equity pledge agreement dated May 18, 2021 entered into among (i) Xikang WFOE, (ii) Ms. Zong Wenhong, Ms. Wang Shuli and (iii) Xikang Medical, pursuant to which Ms. Zong Wenhong and Ms. Wang Shuli unconditionally and irrevocably pledged all of their equity interests (including any increased equity interests and the related dividends and bonuses) in Xikang Medical in favor of Xikang WFOE;
- (k) a power of attorney dated May 18, 2021 executed by Ms. Zong Wenhong and Ms. Wang Shuli, respectively, pursuant to which each of Ms. Zong Wenhong and Ms. Wang Shuli authorized Xikang WFOE or its designated persons to exercise all of their rights as shareholders of Xikang Information;
- (l) a power of attorney dated May 18, 2021 executed by Ms. Zong Wenhong and Ms. Wang Shuli, respectively, pursuant to which each of Ms. Zong Wenhong and Ms. Wang Shuli authorized Xikang WFOE or its designated persons to exercise all of their rights as shareholders of Xikang Medical;

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- (m) the first amendment agreement to the shareholders agreement dated May 27, 2021 entered into among our Company, Xikang WFOE, Neusoft Corporation, Smartwave, Neusoft (HK), Dongkong International Fifth, Dongkong International Seventh, KangRich, Kingset Ventures, Noble Investment, Syn Invest, PICC P&C, Alps Alpine and First Care;

[REDACTED]

**2. Intellectual Property Rights**

*(a) Trademarks*

*(i) Trademarks Registered in China*

As at the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:

| No. | Trademark  | Registered Owner | Class | Registered Number | Registration Date |
|-----|--|------------------|-------|-------------------|-------------------|
| 1.  |  | Our Company      | 10    | 56450827          | July 21, 2022     |
| 2.  | XIKANG   | Our Company      | 10    | 38959468          | April 28, 2020    |
| 3.  | XIKANG   | Our Company      | 42    | 38959463          | April 28, 2020    |
| 4.  | XIKANG   | Our Company      | 44    | 38959461          | May 14, 2020      |
| 5.  | <b>XIKANG 熙康</b>   | Our Company      | 9     | 10314750          | April 14, 2013    |
| 6.  | <b>XIKANG 熙康</b>   | Our Company      | 42    | 10314744          | April 14, 2014    |
| 7.  | <b>XIKANG 熙康</b>   | Our Company      | 44    | 10314743          | April 14, 2014    |
| 8.  | <b>XIKANG 熙康</b>   | Our Company      | 10    | 10314749          | July 21, 2015     |
| 9.  | <b>XIKANG 熙康</b>   | Our Company      | 35    | 10314747          | August 21, 2015   |
| 10. | yunyi yuan   | Our Company      | 9     | 15747843          | January 7, 2016   |

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| No. | Trademark   | Registered Owner        | Class | Registered Number | Registration Date |
|-----|---|-------------------------|-------|-------------------|-------------------|
| 11. | yunyiyuan   | Our Company             | 35    | 15747842          | January 7, 2016   |
| 12. | yunyiyuan   | Our Company             | 42    | 15747840          | January 7, 2016   |
| 13. | yunyiyuan   | Our Company             | 44    | 15747839          | January 7, 2016   |
| 14. | yunyiyuan   | Our Company             | 35    | 16260546          | March 28, 2016    |
| 15. | 熙康  | Our Company             | 9     | 38959955          | February 7, 2020  |
| 16. | 熙康  | Our Company             | 42    | 38959949          | February 7, 2020  |
| 17. | 熙康  | Our Company             | 44    | 38959947          | February 7, 2020  |
| 18. | 熙康  | Our Company             | 35    | 38959952          | April 21, 2020    |
| 19. | 熙心  | Shenyang Cloud Hospital | 9     | 19107059          | March 21, 2017    |
| 20. | 熙心  | Shenyang Cloud Hospital | 10    | 19868273          | June 21, 2017     |
| 21. | 熙心  | Shenyang Cloud Hospital | 44    | 19868272          | June 28, 2017     |
| 22. |  | Our Company             | 9     | 16592572          | June 7, 2016      |
| 23. |  | Our Company             | 10    | 16592574          | June 7, 2016      |
| 24. |  | Our Company             | 35    | 16592569          | June 7, 2016      |
| 25. |  | Our Company             | 41    | 16592571          | June 7, 2016      |
| 26. |  | Our Company             | 42    | 16592573          | June 7, 2016      |
| 27. |  | Our Company             | 44    | 16592570          | June 7, 2016      |





(ii) *Trademark Application Pending in China*

As at the Latest Practicable Date, we had not applied for the registration of any trademark in the PRC which we consider to be or may be material to our business.

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*(iii) Trademarks Registered in Hong Kong*

As at the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to our business:

| <u>No.</u> | <u>Trademark</u>  | <u>Applicant</u> | <u>Class</u>                           | <u>Registration Number</u> | <u>Registration Date</u> |
|------------|---|------------------|--|----------------------------|--------------------------|
| 1.         |    | Xikang WFOE      | 9, 10,<br>35, 38,<br>41, 42,<br>43, 44 | 305567815                  | June 11, 2021            |
| 2.         |    | Xikang WFOE      | 10, 16,<br>44                          | 305636917                  | June 25, 2021            |
| 3.         |    | Xikang WFOE      | 9, 10,<br>35, 38,<br>41, 42,<br>43, 44 | 305567824                  | June 11, 2021            |
| 4.         |  | Xikang WFOE      | 9, 10,<br>35, 38,<br>41, 42,<br>43, 44 | 305567806                  | June 11, 2021            |

*(b) Copyrights*

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business.

*(i) Software*

| <u>No.</u> | <u>Copyright</u>  | <u>Version</u> | <u>Registered Number</u> | <u>Registration Date</u> |
|------------|---|----------------|--------------------------|--------------------------|
| 1.         | Personal Health Profile Browsing System (個人健康檔案瀏覽系統)  | V1.0           | 2017SR111845             | April 12, 2017           |
| 2.         | Xixin Health [Internet + chronic disease] cloud health service management platform system (熙心健康【互聯網+慢病】雲健康服務管理平台系統) | V1.0           | 2018SR013879             | January 5, 2018          |

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| <u>No.</u> | <u>Copyright</u>  | <u>Version</u> | <u>Registered Number</u> | <u>Registration Date</u> |
|------------|---|----------------|--------------------------|--------------------------|
| 3.         | Neusoft Xikang Medical Image Information System (東軟熙康醫學影像信息系統)                | V1.0           | 2019SR0284945            | March 27, 2019           |
| 4.         | Xikang remote two-way referral system (熙康遠程雙向轉診系統)                            | V1.0           | 2019SR0322574            | April 11, 2019           |
| 5.         | Xikang Health Follow-up System (熙康健康隨訪系統)                                     | V1.0           | 2020SR0520528            | May 27, 2020             |
| 6.         | Xikang Remote Outpatient System (熙康遠程門診系統)                                    | V1.0           | 2020SR0557413            | June 3, 2020             |
| 7.         | Platform of Xikangyun Hospital (熙康雲醫院平台)                                      | V1.0           | 2020SR0600942            | June 10, 2020            |
| 8.         | Xikang Internet medical supervision service system software (熙康互聯網醫療服務監管系統軟件) | V2.0           | 2020SR1884316            | December 23, 2020        |
| 9.         | Xikang Health nurse version Software (ios version) (熙心健康護士版軟體(ios版))          | V1.7.83        | 2021SR0713703            | May 18, 2021             |
| 10.        | Xikang Health nurse version Software (Android version) (熙心健康護士版軟體(Android版))  | V1.7.83        | 2021SR0713702            | May 18, 2021             |
| 11.        | Xikang Health Software (ios version) (熙心健康軟體(ios版))                           | V1.0           | 2021SR0650745            | May 19, 2021             |
| 12.        | Xikang Health Software (Android version) (熙心健康軟體(Android版))                   | V1.0           | 2021SR0659427            | May 19, 2021             |
| 13.        | Xikang Health doctor version Software (ios version) (熙心健康醫生版軟體(ios版))         | V1.0           | 2021SR0650743            | May 19, 2021             |
| 14.        | Xikang Health doctor version Software (Android version) (熙心健康醫生版軟體(Android版)) | V1.0           | 2021SR0650742            | May 19, 2021             |

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**(c) Patents**

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

| No. | Patent  | Patentee              | Place of Registration | Patent Number  | Application Date  | Expiry Date       |
|-----|---|-----------------------|-----------------------|----------------|-------------------|-------------------|
| 1.  | The invention relates to a method, device and system for discovering and controlling an embedded network access device (一種發現並控制嵌入式入網設備的方法、裝置及系統)  | Xikang WFOE           | PRC                   | 201210531894.8 | December 11, 2012 | December 11, 2032 |
| 2.  | A method, associated device and system for issuing notifications to terminals (一種向終端發佈通知的方法、相關裝置及系統)  | Xikang WFOE           | PRC                   | 201210566138.9 | December 24, 2012 | December 24, 2032 |
| 3.  | A method of displaying large amounts of data smoothly through a display screen (一種通過顯示屏平滑顯示大數據量的方法)   | Xikang Medical System | PRC                   | 201310216038.8 | May 31, 2013      | May 31, 2033      |
| 4.  | The invention relates to a method and device for activating the screen of a wrist watch (一種腕表屏幕激活方法及裝置)   | Xikang Medical System | PRC                   | 201310377049.4 | August 26, 2013   | August 26, 2033   |
| 5.  | The utility model relates to a compression method, transmission method, reconstruction method and device of ECG signal (一種心電信號的壓縮方法、傳輸方法、重構方法及裝置) | Xikang WFOE           | PRC                   | 201310522507.9 | October 29, 2013  | October 29, 2033  |
| 6.  | The utility model relates to a method for obtaining heart rate and a method for processing ECG signals (一種心率獲取方法及心電信號的處理方法)                       | Xikang WFOE           | PRC                   | 201310598475.0 | November 22, 2013 | November 22, 2033 |
| 7.  | Method and system of generating dynamic picture (生成動態圖片的方法及系統)  | Xikang WFOE           | PRC                   | 201310695619.4 | December 17, 2013 | December 17, 2033 |

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| No. | Patent   | Patentee              | Place of<br>Registration | Patent Number  | Application           |                       |
|-----|--|-----------------------|--------------------------|----------------|-----------------------|-----------------------|
|     |  |                       |                          |                | Date                  | Expiry Date           |
| 8.  | The invention relates to a mental fatigue monitoring method, device and mobile processing terminal (一種精神疲勞監測方法、裝置、系統及移動處理終端)                       | Xikang WFOE           | PRC                      | 201410031167.4 | January 22,<br>2014   | January 22,<br>2034   |
| 9.  | The invention discloses a detection system and a detection method (一種檢測系統及檢測方法)  | Xikang WFOE           | PRC                      | 201410035531.4 | January 24,<br>2014   | January 24,<br>2034   |
| 10. | A method for centrally managing Application configuration parameters and a method for configuring application parameters (集中管理應用配置參數的方法、配置應用參數的方法) | Xikang WFOE           | PRC                      | 201410198331.0 | May 12, 2014          | May 12, 2034          |
| 11. | A method and device to synchronize data (一種數據同步方法和裝置)  | Ningbo Xikang         | PRC                      | 201410443889.0 | September 2,<br>2014  | September 2,<br>2034  |
| 12. | A method and device for presenting changes in blood glucose (一種血糖變化的呈現方法和設備)   | Xikang WFOE           | PRC                      | 201410510704.3 | September 28,<br>2014 | September 28,<br>2034 |
| 13. | The utility model relates to a firmware upgrade method and an embedded device (一種固件升級方法及嵌入式設備)   | Xikang WFOE           | PRC                      | 201410682568.6 | November 24,<br>2014  | November 24,<br>2034  |
| 14. | Resource allocation methods and devices for service-based software systems (用於基於服務的軟件系統的資源分配方法及裝置)   | Xikang WFOE           | PRC                      | 201510714321.2 | October 28,<br>2015   | October 28,<br>2035   |
| 15. | Data processing method and device (數據處理方法及裝置)  | Xikang WFOE           | PRC                      | 201510819436.8 | November 23,<br>2015  | November 23,<br>2035  |
| 16. | The invention discloses a method and device for calculating heart rate variability parameters and fatigue index (一種心率變異性參數及疲勞度指標的計算裝置)             | Xikang Medical System | PRC                      | 201610675007.2 | August 16,<br>2016    | August 16,<br>2036    |



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| No. | Patent   | Patentee              | Place of Registration | Patent Number  | Application Date  | Expiry Date       |
|-----|--|-----------------------|-----------------------|----------------|-------------------|-------------------|
| 17. | Vital signs detector (生命體徵檢測儀)   | Xikang WFOE           | PRC                   | 201730658830.8 | December 21, 2017 | December 21, 2027 |
| 18. | Health space station (健康空間站)   | Xikang Medical System | PRC                   | 201930129584.6 | March 26, 2019    | March 26, 2029    |
| 19. | Health space station interior (健康空間站內飾)  | Xikang Medical System | PRC                   | 201930129582.7 | March 26, 2019    | March 26, 2029    |
| 20. | A device and method to monitor in-bed activities (一種在床監測設備及方法)                   | Xikang WFOE           | PRC                   | 201810327456.7 | April 12, 2018    | April 11, 2038    |
| 21. | A communication System, method and activity monitoring system (一種通信系統、方法及活動監測系統) | Xikang WFOE           | PRC                   | 201810291394.9 | April 3, 2018     | April 3, 2038     |

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

| No. | Patent   | Applicant             | Place of Application | Application Number | Application Date  |
|-----|--|-----------------------|----------------------|--------------------|-------------------|
| 1.  | A method, device, storage media and electronic device to extract pulmonary artery blood vessel image (肺主動脈血管圖像提取方法、裝置、存儲介質及電子設備)             | Xikang WFOE           | PRC                  | 202010942410.3     | September 9, 2020 |
| 2.  | A method and device for realizing waveform rendering (一種實現波形繪製的方法及裝置)  | Xikang Medical System | PRC                  | 201811419309.9     | November 26, 2018 |
| 3.  | Method and device for establishing entity knowledge atlas, acquiring attribute information and outpatient triage (實體知識圖譜建立、屬性信息獲取、門診分診方法及裝置) | Xikang Medical System | PRC                  | 202010124307.8     | February 27, 2020 |

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| <u>No.</u> | <u>Patent</u>   | <u>Applicant</u>      | <u>Place of Application</u> | <u>Application Number</u> | <u>Application Date</u> |
|------------|---|-----------------------|-----------------------------|---------------------------|-------------------------|
| 4.         | A method for entity recognition model generation, a method, device and equipment for recognizing entities (一種實體識別模型生成方法、實體識別方法及裝置、設備)           | Xikang Medical System | PRC                         | 202010407453.1            | May 14, 2020            |
| 5.         | A method, device and storage media to automatically generate comprehensive and enhanced physical examination report (一種混合增強的體檢報告自動生成方法、裝置及存儲介質) | Xikang Medical System | PRC                         | 202011360975.7            | November 27, 2020       |
| 6.         | A method, device and storage media to construct resident health index based on physical examination big data (基於體檢大數據的居民健康指數構建方法、裝置及存儲介質)       | Xikang Medical System | PRC                         | 202011226233.5            | November 5, 2020        |

**3. Domain names**

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

| <u>No.</u> | <u>Domain Name</u> | <u>Registered Owner</u> | <u>Expiry Date</u> |
|------------|--------------------|-------------------------|--------------------|
| 1.         | xikang.com         | Xikang WFOE             | February 21, 2027  |
| 2.         | yunyiyuan.com      | Xikang Information      | April 15, 2027     |

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| <u>No.</u> | <u>Domain Name</u> | <u>Registered Owner</u>  | <u>Expiry Date</u> |
|------------|--------------------|--|--------------------|
| 3.         | xikang.cn          | Liaoning Xikang Wenti<br>Road Comprehensive<br>Clinic (遼寧東軟熙康健<br>康管理有限公司文體路<br>綜合門診部) | May 6, 2027        |
| 4.         | xikang.hk          | Xikang WFOE  | November 3, 2023   |

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

### C. FURTHER INFORMATION ABOUT OUR DIRECTORS

#### 1. Directors' service contracts

Each of our Directors have entered into a service contract with our Company on [●]. The principal particulars of these service contracts are (a) for a term of three years commencing from their respective effective date of appointment until the day on which the next general meeting of the Shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Director has entered into, or has proposed to enter into, a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

#### 2. Remuneration of Directors

- (a) During the three years ended December 31, 2022, the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to our Directors were approximately RMB2.6 million, RMB2.9 million and RMB2.5 million (without consideration of the employee incentive schemes), respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this document.
- (b) Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2023 is expected to be approximately RMB3.0 million.

**APPENDIX IV STATUTORY AND GENERAL INFORMATION**

- (c) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.
- (d) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

**3. Disclosure of interests**

*(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the [REDACTED]*

Immediately following completion of the [REDACTED] presuming the Assumptions, the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

*(i) Interest in Shares*

| <u>Name of Director</u>         | <u>Nature of interest</u>           | <b>Number and class<br/>of securities<br/>immediately after the<br/>Share Subdivision and<br/>before the<br/>[REDACTED]</b> | <b>Approximate<br/>percentage of interest<br/>in our Company<br/>immediately after the<br/>[REDACTED]<sup>(1)</sup></b> |
|---------------------------------|-------------------------------------|---|---|
| Dr. Liu <sup>(2)</sup>          | Interest in controlled corporations | [166,984,305]<br>ordinary Shares  | [REDACTED]%   |
| Ms. Zong Wenhong <sup>(3)</sup> | Interest in controlled corporations | [27,200,000]<br>ordinary Shares   | [REDACTED]%   |
| Dr. Wang Nan <sup>(3)</sup>     | Interest in controlled corporations | [27,200,000]<br>ordinary Shares   | [REDACTED]%   |

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*Notes:*

- (1) The table above is calculated on the basis that the total of [REDACTED] Shares will be in issue immediately after completion of the [REDACTED] presuming the Assumptions.
- (2) Immediately after the Share Subdivision and before the [REDACTED], Smartwave, Dongkong International Fifth and Dongkong International Seventh directly held [76,500,000] Shares, [68,384,305] Shares and [22,100,000] Shares of our Company, respectively, in an aggregate of [166,984,305] Shares. Since each of Smartwave, Dongkong International Fifth and Dongkong International Seventh is wholly owned by Neusoft Holdings through various intermediary entities, Neusoft Holdings was deemed to have an interest in an aggregate of [166,984,305] Shares of our Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh by virtue of the SFO.

Neusoft Holdings is a Sino-foreign joint venture with limited liability incorporated in the PRC. As of the Latest Practicable Date, Dalian Kang Ruidao Management was the single largest shareholder of Neusoft Holdings, holding 29.65% of its total shares. Neusoft Thinking Technology, the fourth largest shareholder of Neusoft Holdings, held approximately 10.82% of its total shares. Dalian Kang Ruidao Management held 99% of the total shares of Neusoft Thinking Technology. Therefore, Dalian Kang Ruidao Management effectively controlled approximately 40.47% of the total shares of Neusoft Holdings. By virtue of the SFO, Dalian Kang Ruidao Management was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

Dalian Kang Ruidao Management is a limited partnership incorporated in the PRC. As of the Latest Practicable Date, Tianjin Zengdao held 38.62% of the capital contribution by Dalian Kang Ruidao Management. Shenyang Kang Ruidao was the managing partner of both Dalian Kang Ruidao Management and Tianjin Zengdao. Dr. Liu (the Chairman and non-executive Director of the Company) was the representative of managing partner designated by Shenyang Kang Ruidao to Dalian Kang Ruidao Management, and he also held 64.23% partnership interest of Tianjin Zengdao and 51% equity interest in Shenyang Kang Ruidao. By virtue of the SFO, Dr. Liu were deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

- (3) [27,200,000] Shares of our Company immediately after the Share Subdivision and before the [REDACTED] were held by KangRich, which is wholly owned by Beijing Kangji. The general partner of Beijing Kangji is Shenyang Ruiqian, which is held as to 50% by Ms. Zong Wenhong, our executive Director and chief executive officer, and 50% by Dr. Wang Nan, our non-executive Director, and the limited partners of Beijing Kangji are the Five LPs of Kangji. Shenyang Ruiqian is interested in 0.02% in Beijing Kangji. The partners of the Five LPs of Kangji are a total of 112 employees of the Company, including Ms. Zong Wenhong, our Executive Director and chief executive officer. None of the 112 employees of the Company is entitled to significant economic interests in the Five LPs of Kangji. Such [27,200,000] Shares held by KangRich were issued pursuant to the 2016 RSU Scheme of the Company adopted in August 2016 for the benefit of its employees. As of the Latest Practicable Date, all the underlying restricted share units under the 2016 RSU Scheme have been exercised by its grantees, namely the 112 employees of the Company, and held by KangRich as the shareholding platform on behalf of these employees. As such, the 2016 RSU Scheme has come to an end and ceased to be effective. Since each of Ms. Zong Wenhong and Dr. Wang Nan is able to control 50% of the voting power in Shenyang Ruiqian, which is the general partner of Beijing Kangji, Ms. Zong Wenhong and Dr. Wang Nan are deemed to be interested in the [27,200,000] Shares held by KangRich.

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(ii) *Interest in associated corporations*

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the [REDACTED], has any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(b) *Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who will, immediately following the completion of the [REDACTED], having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to the section headed "Substantial Shareholders" in this document.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED] presuming the Assumptions, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

#### 4. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or any experts named in the paragraph headed "– E. Other Information – 4. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

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- (b) none of the Directors or any experts named in the paragraph headed “– E. Other Information – 4. Consents of Experts” below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors or any of experts named in the paragraph headed “– E. Other Information – 4. Consents of Experts” below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) taking no account of any Shares which may be taken up under the [REDACTED] and allotted and issued pursuant to the exercise of the options granted under the SISs, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [REDACTED], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (e) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are [REDACTED] thereon; and
- (f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest suppliers of our Group.

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### D. SHARE OPTION SCHEMES

#### 1. Pre-[REDACTED] SOS

##### (a) *Overview*

The following is a summary of the principal terms of the Pre-[REDACTED] Share Option Scheme, as amended from time to time, as adopted by the Board on March 29, 2019. The terms of the Pre-[REDACTED] SOS are not subject to Chapter 17 of the Listing Rules as the Pre-[REDACTED] SOS not involve the grant of options by our Company to subscribe for new Shares upon the [REDACTED]. All the options under the Pre-[REDACTED] SOS (“Pre-[REDACTED] SOS Options”) have been granted in full.

##### (b) *Purpose*

For the purpose of achieving strategic goals and fuel the development of our Company, by providing participants with the opportunity to acquire proprietary interests in the Company, the Pre-[REDACTED] SOS is expected to encourage the participants to enhance their enthusiasm, sense of responsibility and sense of mission while working, and thereby coordinate interests of our employees with the interests of our Company.

##### (c) *Administration*

The Pre-[REDACTED] SOS will be administered by the Board and its designated human resource department, and the decision of the Board will be final and binding on all parties. Subject to the Listing Rules, the provisions of this Pre-[REDACTED] SOS and any applicable laws or regulations, the Board will have the right to, among others:

- (a) interpret and construe the provisions of the Pre-[REDACTED] SOS;
- (b) determine the persons who will be offered Pre-[REDACTED] SOS Options under the Pre-[REDACTED] SOS, the number of the Shares underlying the Pre-[REDACTED] SOS (the “Pre-[REDACTED] SOS Shares”) and the exercise price in relation to the Pre-[REDACTED] SOS Options;
- (c) make such appropriate and equitable adjustments to the terms of the Pre-[REDACTED] SOS Options granted under the Pre-[REDACTED] SOS as it deems necessary; and
- (d) make such other decisions or determinations as it deems appropriate in the administration of the Pre-[REDACTED] SOS.

No member of the Board will be personally liable by reason of any contract or other instrument executed by such member or on his/her behalf in his/her capacity as a member of the Board or for any mistake of judgement made in good faith for the purposes of this Pre-[REDACTED] SOS, and our Company will indemnify and hold harmless each



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employee, officer or director of our Company to whom any duty or power relating to the administration or interpretation of this Pre-[REDACTED] SOS may be allocated or delegated, against any cost or expense (including legal fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with this Pre-[REDACTED] SOS unless arising out of such person's own wilful default, fraud or bad faith.

### *(d) Participants in the Pre-[REDACTED] SOS*

The eligible participants in the Pre-[REDACTED] SOS ("Pre-[REDACTED] SOS Participants") include, among others, directors, senior management, core members of our Group joined or proposed to join our Group and any other persons as the Board may deem appropriate, subject to the following conditions:

- (a) having been working in our Group for no less than one year;
- (b) having achieved the performance standards as required by the Board; or
- (c) having met the assessment criteria for the grant of Pre-[REDACTED] SOS Options as stipulated by the Board.

Subject to approval by our chief executive officer and annual report to our Board, our vice presidents may propose to grant Pre-[REDACTED] SOS Options to special participants who fails to satisfy aforesaid requirements (a) or (b), but have made outstanding contribution to our Company or are introduced into our Company as talents. The total Shares granted to these special participants shall not exceed 10% of the total number of Shares that may be issued under this Pre-[REDACTED] SOS.

### *(e) Maximum number of Shares*

The total number of Pre-[REDACTED] SOS Shares shall be no more than 16,320,000 Shares (or [81,600,000] Shares immediately following the Share Subdivision), representing approximately [REDACTED]% of the total issued share capital of the Company immediately after completion of the [REDACTED] presuming the Assumptions.

### *(f) Duration of Pre-[REDACTED] SOS*

The Pre-[REDACTED] SOS commenced on January 1, 2020 as the first grant date determined by the Board and shall continue in effect for a term of ten years, unless being terminated by the Board in advance of its expiry.

### *(g) Grant of Pre-[REDACTED] SOS Options*

The Board will, subject to the performance of our Company, review and determine in each year whether Pre-[REDACTED] SOS Options shall be granted.

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The grant, vesting and exercise of Pre-[REDACTED] SOS Options shall comply with the provisions of the Pre-[REDACTED] SOS, the relevant resolutions as passed by the Board and the requirements of applicable laws.

All the Pre-[REDACTED] SOS Options have been granted prior to the [REDACTED].

**(h) *Rights attached to Pre-[REDACTED] SOS Options and Pre-[REDACTED] SOS Shares***

A Pre-[REDACTED] SOS Participant is not entitled to any right of dividend, voting right or other shareholder's interest or right in respect of any Pre-[REDACTED] SOS Options or Pre-[REDACTED] SOS Shares before exercise of the Pre-[REDACTED] SOS Options and the completion of the registration of the Pre-[REDACTED] SOS Participant as a Shareholder of our Company.

**(i) *Rights are personal to the grantee***

A Pre-[REDACTED] SOS Option is personal to the grantee and no grantee shall in any way sell, pledge, transfer, mortgage, assign or dispose of any Pre-[REDACTED] SOS Option subject to approval of our Board and stipulation in the grant letter. If any Pre-[REDACTED] SOS Options are disposed of in breach of the scheme rules of the Pre-[REDACTED] SOS, all Pre-[REDACTED] SOS Options (whether vested or not) held by the Pre-[REDACTED] SOS Participants will be invalidated. Without prejudice to the foregoing provisions, the provisions of Pre-[REDACTED] SOS shall be equally binding on the successor or transferee to the Pre-[REDACTED] SOS Participants.

**(j) *Vesting Schedule***

Unless otherwise determined by the Board, the Pre-[REDACTED] SOS Options granted will be vested in three years upon (A) fulfilment of conditions set in the terms of the Pre-[REDACTED] SOS and the relevant grant letter as well as (B) the achievement of performance targets as determined by the Board. The first vesting date will be on the first anniversary of the date of grant of Pre-[REDACTED] SOS Options ("**Grant Date**").

**(k) *Exercise of Pre-[REDACTED] SOS Options***

*Exercise Price*

The initial exercise price for Pre-[REDACTED] SOS Options shall be US\$2.94 per Share, subject to further adjustment as specified by the Board in the grant letter to the participants and by reference of the market practice and the current value of the Shares.

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### *Exercise Period*

Unless otherwise provided in the terms of the Pre-[REDACTED] SOS, the validity period of the Pre-[REDACTED] SOS Options granted under the Scheme shall be 10 years commencing from the Grant Date. All unexercised Pre-[REDACTED] SOS Options shall be terminated and invalidated after the validity period has lapsed.

### *Exercise of Options*

Grantees may exercise the Pre-[REDACTED] SOS Options in whole or in part by submitting (i) the Application for the Exercise of Option Incentive (《期權激勵行權申請書》) to our Company pursuant to the terms of this Pre-[REDACTED] SOS and the grant letter and (ii) any other documents as required by the Board. Each application must be accompanied by a remittance for the aggregate amount of the subscription price multiplied by the number of Shares in respect of which the application is submitted for.

### *(l) Adjustment*

If our Company conducts capitalization from capital public reserve, scrip issue, share subdivision, allotment, share spilt or similar transactions affecting the Shares, leading to an increase or decrease in the number of issued Shares, the Board shall have the sole discretion to adjust the number, price and other aspects of the Pre-[REDACTED] SOS Options. The Board shall notify Pre-[REDACTED] SOS Participants in due course after such adjustment has been made.

### *(m) Details of the Pre-[REDACTED] SOS Options granted under the Pre-[REDACTED] SOS*

The options under the Pre-[REDACTED] SOS in respect of an aggregate of 16,320,000 Shares (or [81,600,000] Shares immediately following the Share Subdivision), representing approximately [REDACTED]% of the Shares upon completion of the [REDACTED] presuming the Assumptions, have been granted to the Pre-[REDACTED] SOS Participants pursuant to the Pre-[REDACTED] SOS, and all these options are still outstanding and unexercised.

As of the Latest Practicable Date, 428 Grantees have been granted options under the Pre-[REDACTED] SOS in respect of the Pre-[REDACTED] SOS Shares. Among the Pre-[REDACTED] SOS Options that have been granted, (i) 5,100,000 Shares underlying the Pre-[REDACTED] SOS Options (or [25,500,000] Shares immediately following the Share Subdivision) were granted to our Director and members of senior management (including Ms. Zong Wenhong, the executive Director and the chief executive officer of our Company, and three other senior management members of our Company) as detailed below; and (ii) 11,220,000 Shares underlying the Pre-[REDACTED] SOS Options (being [56,100,000] Shares immediately following the Share Subdivision) were granted to 424 Grantees who are not our Directors or members of senior management.

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*Director and senior management*

Below is a list of our Director and members of senior management who were granted Pre-[REDACTED] SOS Options as of the Latest Practicable Date:

| Name             | Position   | Address   | Grant date   | Vesting period              | Exercise price (per Share) | Number of Shares underlying the Pre-[REDACTED] SOS Options immediately after the Share Subdivision and before the [REDACTED] | Approximate percentage of issued Shares immediately after the [REDACTED] <sup>(1)</sup> |
|------------------|--|---|--|-----------------------------|----------------------------|--|---|
|                  |  |   |  |                             | (USD)                      |  |   |
| Ms. ZONG Wenhong | Executive Director and the chief executive officer | No. 55, Lane 303, Caoyang Road, Putuo District, Shanghai, PRC | January 1, 2020, January 1, 2021 and April 1, 2023 | 3 years from the Grant Date | 2.94                       | 10,500,000   | [REDACTED]%   |
| Ms. WANG Shuli   | Vice president and chief financial officer         | 18 Shaoxing Street, Heping District, Shenyang, PRC            | January 1, 2020, January 1, 2021 and April 1, 2023 | 3 years from the Grant Date | 2.94                       | 8,750,000  | [REDACTED]%   |
| Mr. SHAO Shuli   | Vice president                                     | 80 Dashizi Street, Dadong District, Shenyang, PRC             | January 1, 2021                                    | 3 years from the Grant Date | 2.94                       | 2,500,000  | [REDACTED]%   |
| Mr. YANG Yuanwei | Vice president                                     | 159 Guanjing Alley, Yuzhong District, Chongqing, PRC          | January 1, 2020 and January 1, 2021                | 3 years from the Grant Date | 2.94                       | 3,750,000  | [REDACTED]%   |

*Note:*

(1) Presuming the Assumptions.

As at the Latest Practicable Date, (i) none of the Pre-[REDACTED] SOS Options has been exercised; and (ii) none of the above members of Director and senior management of our Company has paid any consideration for the Pre-[REDACTED] SOS Options.

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### *Waiver and Exemption*

Our Company has applied for and [has been granted] (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02 (1) (b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10 (d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waiver from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in Relation to the Pre-[REDACTED] SOS" section for further details.

## 2. Post-[REDACTED] SOS

### *(a) Overview*

The following is a summary of the principal terms of the Post-[REDACTED] SOS ("**Post-[REDACTED] SOS Rules**"), as conditionally adopted by the Board on May 27, 2021. The terms of the Post-[REDACTED] SOS are subject to Chapter 17 of the Listing Rules.

As at the Latest Practicable Date, no Post-[REDACTED] SOS Option had been granted or agreed to be granted under the Post-[REDACTED] SOS. Application has been made to the Listing Committee of the Stock Exchange for [REDACTED] of and permission to [REDACTED] the Shares which may be issued pursuant to the exercise of any Post-[REDACTED] SOS Options which may be granted under the Post-[REDACTED] SOS.

### *(b) Purpose*

The purpose of the Post-[REDACTED] SOS is to provide incentives and rewards to participants for their contributions to, and continuing efforts to, promote the interest of, the Company.

### *(c) Eligibility*

Those eligible to participate in the Post-[REDACTED] SOS (the "**Post-[REDACTED] Eligible Participant**") include, among others, (i) any employee (whether full time or part time), executives or officers, and directors of any member of the Group, any entity in which any member of our Group holds an equity interest, and shall, for the purpose of the Post-[REDACTED] SOS Rules, exclude any members of the Group (the "**Invested Entity**") or any business partner; and (ii) any consultant, advisor or agent of any member of the Group, any Invested Entity or any business partner who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity.

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### *(d) Subscription price*

The subscription price for the Post-[REDACTED] SOS Options (“**Subscription Price**”) shall be a price determined by the Board or the Chairman (as the case may be) and notified to any grantee of Post-[REDACTED] SOS Option (the “**Grantee**”) and will be the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Post-[REDACTED] Grant Date, which must be a business day;
- (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange’s daily quotation sheets for the five (5) Business Days immediately preceding the Post-[REDACTED] Grant Date; and
- (c) the nominal value of a Share on the Post-[REDACTED] Grant Date.

### *(e) Offer of the Grant of an Option*

The Board or the Chairman ((in accordance with their respective discretion so authorized under the Post-[REDACTED] SOS) shall be entitled at any time during the operation of the Post-[REDACTED] SOS, at its/his sole and absolute discretion, to make an offer of Post-[REDACTED] SOS Options to a Post-[REDACTED] Eligible Participant by letter in such form as the Board or the Chairman (as the case may be) may from time to time determine (the “**Grant Letter**”).

### *(f) Acceptance of Offer*

An offer of Post-[REDACTED] SOS Options shall be open for acceptance in writing given by either prepaid post, facsimile transmission, personal delivery or by electronic communication received by the Board or the Chairman (as the case may be), or any person designated by the Board or the Chairman, for such period as the Board or the Chairman (as the case may be) may determine and notify to the Grantee concerned, provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-[REDACTED] SOS or after the Post-[REDACTED] SOS has been terminated in accordance with the Post-[REDACTED] SOS Rules. An offer of Post-[REDACTED] SOS Options not accepted within this period shall lapse. An offer may not be accepted unless the Grantee remains a Post-[REDACTED] Eligible Participant on acceptance.

An amount of HK\$1.00 is payable by the Grantee to the Company upon acceptance of the offer of Post-[REDACTED] SOS Options, and such remittance shall not be refundable and shall not be deemed to be a part payment of the Subscription Price.

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### *(g) Exercise of Post-[REDACTED] SOS Options*

The Grant Letter issued by the Company to the relevant Post-[REDACTED] Eligible Participant shall specify details of the Post-[REDACTED] SOS Options, including the number of Shares under the Post-[REDACTED] SOS Options, the Subscription Price, the exercise period and the vesting schedule, etc.

Subject to restrictions which may be imposed by the Board or the Chairman (as the case may be), any Post-[REDACTED] SOS Options may be exercised at any time during the exercise period by the Grantee (or in the case of his death, his legal personal representatives) giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Post-[REDACTED] SOS Options are thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given.

### *(h) Maximum number of Shares*

The overall limit on the number of Shares that may be issued upon exercise of all options granted under the Post-[REDACTED] SOS (the "**Post-[REDACTED] SOS Options**") shall be no more than approximately 10% of the Shares in issue on the date of the Shares commencing [REDACTED] on the Stock Exchange ("**Post-[REDACTED] Mandate Limit**"). Post-[REDACTED] SOS Options lapsed or cancelled in accordance with the Post-[REDACTED] SOS Rules (or any other share option schemes of our Company) will not be counted for the purposes of calculating the Post-[REDACTED] Mandate Limit.

The maximum number of Shares which may be issued upon exercise of all outstanding Post-[REDACTED] SOS Option granted and yet to be exercised under the Post-[REDACTED] SOS and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of our Company from time to time.

We may refresh the Post-[REDACTED] Mandate Limit at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Post-[REDACTED] Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval to refresh the Post-[REDACTED] Mandate Limit by our Shareholders in general meeting. Post-[REDACTED] SOS Options previously granted under the Post-[REDACTED] SOS or any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised) will not be counted for the purpose of calculating the Post-[REDACTED] Mandate Limit as refreshed.

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We may also seek separate approval of our Shareholders in general meeting for granting options beyond the Post-[REDACTED] Mandate Limit to participants specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

*(i) Maximum entitlement of Post-[REDACTED] SOS Participants*

No Post-[REDACTED] SOS Option may be granted to any Post-[REDACTED] SOS Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Post-[REDACTED] SOS Option already granted or to be granted to such Eligible Participant under the Post-[REDACTED] SOS (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at the date of such new grant ("**Post-[REDACTED] Grant Date**"). Any grant of further Post-[REDACTED] SOS Option above this limit shall be subject to the requirements provided under the Listing Rules.

*(j) Performance target*

The Post-[REDACTED] SOS Rules does not set out any performance targets that must be achieved before the Post-[REDACTED] SOS Options may be exercised. However, the Board may, at their sole discretion, specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the Post-[REDACTED] SOS Options can be exercised.

*(k) Transferability*

Any Post-[REDACTED] SOS Options shall be personal to the Grantee and shall not be assignable or transferable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Post-[REDACTED] SOS Options. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any Post-[REDACTED] SOS Options or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on the part of the Company.

*(l) Options granted to connected persons*

Any grant of Post-[REDACTED] SOS Options to a connected person (as defined in the Listing Rules) of the Company, or any of his associates, shall also comply and be approved in accordance with the applicable requirements of the Listing Rules, including but not limited to:

- (i) if Post-[REDACTED] SOS Options are granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive Directors of our Company (and in the event that the Board offers to grant



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Post-[REDACTED] SOS Options to an independent non-executive Director of the Company, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant);

- (ii) if Post-[REDACTED] SOS Options are granted to a substantial shareholder or an independent non-executive director of the Company (or any of their respective associates) and that grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Post-[REDACTED] SOS and any other schemes in the 12-month period up to and including the date of grant:
  - (a) representing in aggregate over 0.1 per cent, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the date of grant; and
  - (b) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, in excess of HK\$5 million or such other sum as may from time to time be provided under the Listing Rules,

such grant shall be subject to, in addition to the approval of the independent non-executive Directors of the Company, the issue of a circular by the Company to our Shareholders and the approval of the Shareholders in general meeting of the Company by way of a poll convened and held in accordance with the Articles at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the resolution concerning the grant of such Post-[REDACTED] SOS Options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed Post-[REDACTED] SOS Options to that Post-[REDACTED] Eligible Participant shall be taken as the date of grant for the purpose of calculating the Subscription Price.

### *(m) Restriction of grant of options*

For as long as the Shares are [REDACTED] on the Stock Exchange, a Post-[REDACTED] SOS Option must not be granted after inside information has come to the knowledge of the Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, a Post-[REDACTED] SOS Option must not be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

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- (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

For as long as the Shares are [REDACTED] on the Stock Exchange, where any Post-[REDACTED] SOS Option is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

- (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

### *(n) Vesting Schedule and Exercise Period*

The Board or the Chairman (as the case may be) may specify the exercise period and the vesting schedule of the Post-[REDACTED] SOS Options in the Grant Letter. Unless the Post-[REDACTED] SOS Options have been withdrawn and cancelled or been forfeited in whole or in part, the Grantee may exercise his rights under the Post-[REDACTED] SOS according to the vesting schedule set out in the relevant Grant Letter. The Post-[REDACTED] SOS Option must be exercised no more than ten years from the Grant Date. There is no minimum period for which a Post-[REDACTED] SOS Option must be held before it can be exercised.

### *(o) Cancellation of options*

Unless otherwise provided for in the Post-[REDACTED] SOS Rules, any cancellation of Post-[REDACTED] SOS Options granted in accordance with the Post-[REDACTED] SOS but not exercised must be approved by the Grantee concerned in writing. In the event that the Board or the Chairman (as the case may be) elects to cancel any Post-[REDACTED] SOS Options and issue new ones to the same Grantee, the issue of such new Post-[REDACTED] SOS Options may only be made with the available unissued Post-[REDACTED] SOS Options (excluding the cancelled Post-[REDACTED] SOS Options) within the limit set out in (d) above.

### *(p) Lapse of options*

Any Post-[REDACTED] SOS Options shall lapse forthwith and not exercisable (to the extent not already exercised), with immediate effect or after such period the Board or the Chairman (as the case may be) may determine, on the earliest of:

- (a) the expiry of the exercise period of the Post-[REDACTED] SOS Options as specified under the Post-[REDACTED] SOS Rules;

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- (b) the date on which the Grantee ceases to be a Post-[REDACTED] Eligible Participant in accordance with the Post-[REDACTED] SOS;
- (c) the date of the commencement of the voluntary winding-up of the Company;
- (d) the date on which the Board or the Chairman (as the case may be) exercises the Company's right to cancel or forfeit the Post-[REDACTED] SOS Options if the Grantee commits any breach of specific provisions as set out in the Post-[REDACTED] SOS Rules; and
- (e) the date on which the Post-[REDACTED] SOS Options are cancelled in accordance with the Post-[REDACTED] SOS Rules.

*(q) Voting and dividend rights*

No dividends (including distributions made upon the liquidation of our Company) shall be payable and no voting rights shall be exercisable in relation to any Post-[REDACTED] SOS Option that has not been exercised.

*(r) Effects of alterations in the capital structure of our Company*

If there is any alteration in the capital structure of the Company while any Post-[REDACTED] SOS Options remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

- (i) the number of Shares (without fractional entitlements) subject to the Post-[REDACTED] SOS Options so far as unexercised; and/or
- (ii) the Subscription Price; and/or
- (iii) the maximum number of Shares for which further Post-[REDACTED] SOS Options may be granted.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Post-[REDACTED] SOS Options and/or the Subscription Price shall be conditional on the auditors or the independent financial advisor appointed by the Company confirming by the issue of certificate to the Board that the alteration is in their opinion fair and reasonable, is made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled before such alteration. No such alteration shall be made to the effect which would be to enable any Share to be issued at less than its nominal value (where applicable) or which would result in the aggregate amount payable on the exercise of any Post-[REDACTED] SOS Options

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in full being increased. The capacity of such auditors or an independent financial advisor appointed by the Company is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the Grantees in the absence of manifest error. The costs of the Auditors or an independent financial advisor appointed by the Company in so certifying shall be borne by the Company.

***(s) Retirement, death or permanent physical or mental disability of a selected participant and other events***

Subject to the terms under the Post-[REDACTED] SOS Rules, any Post-[REDACTED] SOS Options may be exercised by a Grantee at any time or times during the exercise period provided that:

- (i) subject to the terms under the Post-[REDACTED] SOS Rules, if a Grantee ceases to be a Post-[REDACTED] Eligible Participant for any reason other than on his or her death or the termination of his or her employment on one or more of the grounds as specified in the Post-[REDACTED] SOS Rules, the Grantee may only exercise the Post-[REDACTED] SOS Option within a period of three months thereafter;
- (ii) if a Grantee dies before exercising the Post-[REDACTED] SOS Option in full and none of the events which would be a ground for termination of his or her employment specified in the Post-[REDACTED] SOS Rules arises, the personal representative(s) of the Grantee may only exercise the Post-[REDACTED] SOS Option within a period of 12 months thereafter;
- (iii) if a Grantee shall be employed by a subsidiary and the shares in such subsidiary (or in any other subsidiary which is a holding company of such subsidiary) shall be listed on, or become publicly traded on any recognised stock exchange, the Company may, if the Board considers it appropriate, give notices to the Grantee requiring the Grantee to exercise the Post-[REDACTED] SOS Option (to the extent not already exercised) to its full extent, or to the extent specified in such notice and on such other terms as the Board shall decide; and
- (iv) for any other situation not mentioned above, the handling of the Post-[REDACTED] SOS Options shall be separately submitted to and approved by the Board or the Chairman (as the case may be) on a case-by-case basis.

***(t) Rights on takeover and schemes of compromise or arrangement***

In the event a general offer for Shares (whether by way of voluntary offer, takeover, scheme of arrangement or otherwise) is made to all holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror), the Board may, prior to or immediately upon the offer becoming or being declared unconditional, determine at its absolute discretion whether any Post-[REDACTED] SOS Options shall vest and the period within which such Post-[REDACTED] SOS Options shall vest and be exercisable. If the Board determines that such Post-[REDACTED] SOS Options shall vest, it shall notify the Grantees that such Post-[REDACTED] SOS Option shall vest and the period within

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which such Post-[REDACTED] SOS Options shall vest and be exercisable. In the absence of such determination by the Board, the Post-[REDACTED] SOS Options shall continue to vest in accordance with their respective vesting timetable.

If a Post-[REDACTED] SOS Option is not exercised within the time specified, or has not yet vested on or before the date of first making the offer, the Post-[REDACTED] SOS Option shall lapse.

If a compromise or arrangement between the Company and its members or creditors is proposed, the Company shall give notice to the Grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two (2) months thereafter and the date on which such compromise or arrangement is sanctioned by the court, provided that the relevant options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Post-[REDACTED] SOS Options whether in full or in part, but the exercise of a Post-[REDACTED] SOS Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Post-[REDACTED] SOS Options shall lapse except insofar as previously exercised under the Plan. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Post-[REDACTED] SOS Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

If a Post-[REDACTED] SOS Option is not exercised within the time specified, the Post-[REDACTED] SOS Option shall lapse.

### *(u) Rights on a voluntary winding-up*

If a notice is given to each Grantee of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, each Grantee shall be entitled to exercise all or any of his Post-[REDACTED] SOS Options at any time not later than two (2) business days prior to the proposed general meeting of the Company. The Company shall, as soon as possible, and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee, credited as fully paid. The right to exercise the Post-[REDACTED] SOS Options shall, to the extent that they have not been exercised, terminate immediately on the date of the commencement of the voluntary winding-up of the Company.

If a Post-[REDACTED] SOS Option is not exercised within the time specified, the Post-[REDACTED] SOS Option shall lapse.

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### (v) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of a Post-[REDACTED] SOS Option shall be subject to all the provisions of the Memorandum and Articles for the time being in force and will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issuance. Such Shares will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment and issuance.

### (w) *Duration*

The Post-[REDACTED] SOS shall take effect upon all of the following having been satisfied:

- (i) the passing of the necessary resolution to adopt the Post-[REDACTED] SOS by the Board;
- (ii) the Listing Committee of the Stock Exchange granting approval of the [REDACTED] of, and permission to [REDACTED], any Shares to be issued pursuant to the exercise of Post-[REDACTED] SOS Options on the Stock Exchange; and
- (iii) the commencement of [REDACTED] in the Shares on the Stock Exchange.

The Post-[REDACTED] SOS shall be valid and effective for the period of ten years commencing on the date when the Post-[REDACTED] SOS takes effect (after which, no further Post-[REDACTED] SOS Options shall be offered or granted), but in all other respects the provisions of the Post-[REDACTED] SOS Rules shall remain in full force and effective to the extent necessary to give effect to the exercise of any Post-[REDACTED] Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-[REDACTED] SOS Rules.

## E. OTHER INFORMATION

### 1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

### 2. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

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### 3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the [REDACTED] of, and permission to [REDACTED], the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including any Shares which may fall to be issued pursuant to the exercise of the [REDACTED] and any Shares to be allotted and issued upon the exercise of the options which has been granted or to be granted under the Share Option Schemes).

### 4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

| <u>Name</u>  | <u>Qualification</u>   |
|--|--|
| China International Capital Corporation Hong Kong Securities Limited | A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| PricewaterhouseCoopers   | Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)   |
| Tian Yuan Law Firm   | PRC legal advisor  |
| Maples and Calder (Hong Kong) LLP                                    | Cayman Islands attorneys-at-law  |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.                 | Industry consultant  |

As of the Latest Practicable Date, save as disclosed in the paragraph headed “– E. Other Information – Sole Sponsor” in this section, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

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### 5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

### 6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

### 7. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

### 8. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
  - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
  
- (b) Save as disclosed in this document:
  - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
  - (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and



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- (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
  
- (c) Save as disclosed in the paragraph headed “– B. Further Information about our Business – 1. Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
  
- (d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document.
  
- (e) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
  
- (f) Our Company has no outstanding convertible debt securities or debentures.
  
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
  
- (h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position in the last 12 months preceding the date of this document.

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## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

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### FURTHER INFORMATION ABOUT OUR GROUP

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to under the paragraph headed "Statutory and General Information – E. Other Information – 4. Consents of Experts" in Appendix IV to this document; and
- (c) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this document.

### DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.xikang.com](http://www.xikang.com) during a period of 14 days from the date of this document:

- (a) the Memorandum of Associations and the Articles of Association;
- (b) the Accountant's Report of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited [REDACTED] financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2020, 2021 and 2022;
- (e) the PRC legal opinion issued by Tian Yuan Law Firm, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests of our Group;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this document;
- (g) the Cayman Companies Act;

