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**Post Hearing Information Pack of**

# CONCORD HEALTHCARE GROUP CO., LTD.*
# 美中嘉和醫學技術發展集團股份有限公司

**(the "Company")**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

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美中嘉和
CONCORD MEDICAL

# CONCORD HEALTHCARE GROUP CO., LTD.*
# 美中嘉和醫學技術發展集團股份有限公司

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

## [REDACTED]

| | |
|---|---|
| **Number of [REDACTED] under the [REDACTED] :** | **[REDACTED] H Shares (subject to the [REDACTED])** |
| **Number of [REDACTED] :** | **[REDACTED] H Shares (subject to reallocation)** |
| **Number of [REDACTED] :** | **[REDACTED] H Shares (subject to reallocation and the [REDACTED])** |
| **Maximum [REDACTED] :** | **HK$[REDACTED] per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application and subject to refund)** |
| **Nominal value :** | **RMB1.00 per H Share** |
| **[REDACTED] :** | **[REDACTED]** |

***Joint Sponsors, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]***

*(in alphabetical order)*

CICC 中金公司 　　 海通國際 HAITONG

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The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the other **[REDACTED]**) and our Company on or about **[REDACTED]** or such later time as may be agreed between the parties, but in any event no later than **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** (for themselves and on behalf of the other **[REDACTED]**) and our Company are unable to reach an agreement on the **[REDACTED]** by **[REDACTED]**, the **[REDACTED]** will not become unconditional and will lapse immediately. Applicants for **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** together with brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the **[REDACTED]** should be less than HK$**[REDACTED]** per **[REDACTED]**.

**The [REDACTED] (for themselves and on behalf of the other [REDACTED]) may, with consent of our Company, reduce the number of [REDACTED] and/or the [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the [REDACTED] will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.concordmedical.com as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. For further information, please refer to the sections headed [REDACTED] and "How to Apply for [REDACTED]" in this document.**

The obligations of the **[REDACTED]** under the **[REDACTED]** to **[REDACTED]** for, and to procure applicants for the **[REDACTED]** for, the **[REDACTED]**, are subject to termination by the **[REDACTED]** (for themselves and on behalf of the other **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Further details of such circumstances are set out in the section headed "**[REDACTED]**." It is important that you refer to that section for further details.

**The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being offered and sold outside of the United States in offshore transactions in reliance on Regulation S.**

**[REDACTED]**

* *For identification purposes only*

# IMPORTANT

[REDACTED]

# EXPECTED TIMETABLE

**[REDACTED]**

# EXPECTED TIMETABLE

**[REDACTED]**

# EXPECTED TIMETABLE

**[REDACTED]**

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*This document is issued by our Company solely in connection with the* **[REDACTED]** *and the* **[REDACTED]** *and does not constitute an* **[REDACTED]** *to sell or a solicitation of an* **[REDACTED]** *to buy any security other than the* **[REDACTED]** *offered by this document pursuant to the* **[REDACTED]** **[REDACTED]**. *This document may not be used for the purpose of marketing, and does not constitute, an* **[REDACTED]** *or* **[REDACTED]** *in any other jurisdiction or in any other circumstances. No action has been taken to permit a* **[REDACTED]** *of the* **[REDACTED]** *in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the* **[REDACTED]** *and sale of the* **[REDACTED]** *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

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# SUMMARY

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

*There are risks associated with any investment. Some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *are set out in "Risk Factors". You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**. *Various expressions used in this section are defined or explained in "Definitions" and "Glossary of Technical Terms" in this document.*

## OVERVIEW

We are an oncology healthcare service provider in China serving both cancer patients and third-party medical institutions, with a market share of 0.5% in terms of revenue in 2022 in the private oncology healthcare service market in China, according to the F&S Report.

We serve both cancer patients through our self-owned medical institutions and third-party medical institutions through our medical equipment, software and related services. In our self-owned medical institutions, we provide a full spectrum of oncology healthcare services to cancer patients, leveraging our multidisciplinary team specialists and diagnosis and treatment capabilities featuring precision radiation therapy. As of the Latest Practicable Date, we had six self-owned medical institutions in operation located in Guangzhou, Shanghai and Datong, including two cancer hospitals, three outpatient centers or clinic and one imaging diagnosis center, and an internet hospital. We had one additional self-owned cancer hospital under construction in Shanghai, as of the same date. We expect our Guangzhou Hospital to commence the operation of its proton center and provide proton therapy services in 2024.

Through our medical equipment, software and related services launched since our inception in 2008, we serve a widespread network of enterprise customers, primarily hospitals, with integrated oncology-related services, including primarily sales and installing of medical equipment and software, management and technical support, and operating lease. Furthermore, we have integrated our online and offline medical resources into our cloud platforms to offer various cloud-based services. Our cloud platforms serve to improve the quality of oncology healthcare in lower-tier cities and alleviate the uneven distribution of critical healthcare resources in China. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we served 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services, respectively. The number of our enterprise customers increased significantly in 2021 as a result of an upgrade of our service capabilities and a step-up of our market education efforts. As of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease.

Our revenue increased significantly from RMB166.3 million in 2020 to RMB470.5 million in 2021. Our revenue increased by 0.4% from RMB470.5 million in 2021 to RMB472.2 million in 2022. Our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the six months ended June 30, 2023. We recorded gross profit of RMB7.4 million in 2020, and incurred gross loss of RMB47.1 million, RMB142.6 million, RMB86.4 million and RMB35.0 million in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, primarily due to the significant operation costs incurred for our medical institutions during the ramp-up stage. Our gross loss increased in 2022, primarily because our Guangzhou Hospital became operational in June 2021, with the employee benefit expenses, depreciation and amortization, and cost of pharmaceuticals, consumables and other inventories incurred during the ramp-up stage with insufficient revenue to recoup its operation costs in 2022. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we recorded net loss of RMB591.3 million, RMB831.1 million, RMB637.2 million, RMB415.1 million and RMB214.3 million, respectively, primarily due to our gross loss position and our significant finance costs, primarily including interest charge on redeemable capital contribution which represented interests accrued on the special rights of the **[REDACTED]** Investors. We recorded adjusted net loss (non-HKFRS measure) of RMB318.7 million, RMB487.6 million, RMB471.2 million, RMB250.1 million and RMB214.0 million in the same periods, respectively. See "Financial Information—Non-HKFRS Measure" for a reconciliation of our net loss to adjusted net loss (non-HKFRS measure). In 2022 and the six months ended June 30, 2023, we recorded net operating cash outflow of RMB93.6 million and RMB130.8 million, respectively. We may not be able to turn profitable in the near future.

## MARKET OPPORTUNITIES

China had a large number of newly diagnosed cancer patients and cancer-related deaths in 2022, accounting for approximately 23.8% of the new cancer cases and approximately 26.9% of the cancer-related deaths worldwide, according to the F&S Report. China's oncology healthcare service is in the early stages of development relative to more mature markets globally, including the United States, according to the same source. China's oncology healthcare service faces challenges in the scarcity and uneven distribution of medical resources, which causes patient overcrowding, especially in public hospitals in first-tier cities.

On the one hand, uniform standard of care and advanced methodologies, such as precision radiation therapy, are sporadically implemented in China, which leaves significant room for improvement in treatment quality, according to the F&S Report. On the other, healthcare resources are generally concentrated in major cities and in large public healthcare institutions in China, and as a result, the quality of diagnosis, treatment and patient experience in lower-tier cities may not be guaranteed. An integrated healthcare solution, consisting of offline supply-chain and operational services as well as advanced cloud technology to facilitate remote diagnosis and treatment, are expected to tackle these challenges. The provision of such solution requires a combination of various healthcare resources, hardware, software and algorithms, resulting in an underdeveloped support service market, according to the F&S Report.

As a result of these challenges, the five-year survival rate was approximately 40.5% for all cancer types combined in China, as compared to approximately 67.7% in the United States, according to the F&S Report. Driven, in part, by the economic development and consumption upgrading in China, the patient demand for patient-oriented cancer care for improved quality of life has significantly increased. Revenue of private oncology healthcare institutions in China increased from RMB18.9 billion in 2016 to RMB53.0 billion in 2022, at a CAGR of 18.7%, and is expected to reach RMB109.2 billion in 2026, at a CAGR of 19.8% from 2022 to 2026, according the F&S Report. The revenue of cancer treatment support service market in China increased from RMB4.9 billion in 2016 to RMB7.0 billion in 2022, at a CAGR of 6.2%, and is expected to reach RMB9.7 billion in 2026, at a CAGR of 8.6% from 2022 to 2026, according the F&S Report. We believe that we are well positioned to capture the market growth, leveraging our medical professionals, diagnosis and accumulated healthcare resources within our network of enterprise customers.

## OUR BUSINESS MODEL

### Hospital Business

We offer a full spectrum of oncology healthcare services to cancer patients, including screening, diagnosis, treatment and post-treatment health management at our medical institutions. We have established or acquired seven offline medical institutions, equipped with medical equipment and medical professionals, strategically located primarily in the most developed regions in China. We also have an internet hospital, Yinchuan Meizhong Jiahe Internet Hospital (銀川美中嘉和互聯網醫院) ("Internet Hospital"), which provides primarily remote hospital appointment, diagnostic interpretation, post-treatment health management and oncology-related education. We have a committed team of full-time physicians from various disciplines and nursing staff attending to the patient's needs. We are among a handful of oncology healthcare groups that are early adopters of precision radiation therapy, a radiation therapy that is designed to deliver high doses of radiation to tumors with high precision while sparing normal tissues, which significantly improves the efficacy of radiation therapy treatment while limiting side effects and risks, in China, according to the F&S Report.

Our patients settle their medical bills through multiple sources, including public medical insurance, commercial medical insurance, and out-of-pocket payments. Accordingly, the ultimate payors of our medical institutions under our hospital business include the local public medical insurance authorities under the public medical insurance programs, commercial insurance companies under the commercial medical insurance programs, and patients for their out-of-pocket payments.

### Medical Equipment, Software and Related Services

We serve a widespread network of enterprise customers, primarily including our partnered hospitals, other medical institutions and medical enterprises, as well as distributors, especially in lower-tier cities outside the footprint of our self-owned facilities. In particular, we supply enterprise customers with medical equipment and associated medical consumables required to setup or upgrade their radiation therapy or diagnostic imaging departments. We also provide management and technical support on the oncology medical equipment leased or procured from us with respect to equipment operation, clinical practice and quality control protocols, medical professional training, and academic research. As an integral part under our medical equipment, software and related services, we provide equipment leasing and comprehensive support services to our partnered hospitals by entering into an operating lease agreement, and sometimes together with a comprehensive support agreement which are either service-only in nature or as part of our full-spectrum solution services. Furthermore, we have integrated our online and offline medical resources into cloud platforms to provide various cloud-based services, which enables remote services to hospitals.

Our enterprise customers are free to choose the entire package or individual modules of our services based on their needs to serve their patients. We launched the following three cloud platforms:

- *Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform* (嘉和飛雲智能放療雲服務平台). Through this platform, we connect our radiation therapy experts with the medical professionals at other medical institutions to provide remote assistance in using radiation therapy equipment to design, form and implement treatment plans, enabling patients to enjoy customized remote radiation therapy treatment consultation.

- *Jiahe Yunying Remote Imaging Information Diagnosis Platform* (嘉和雲影遠程醫療信息診斷平台). This platform enables physicians of our own and other medical institutions to jointly review patients' diagnostic imaging results online to facilitate more accurate and efficient diagnosis and issue relevant imaging diagnosis reports.

- *Jiahe Cloud Asset Management Platform* (嘉和雲資產管理平台). This platform enables medical institutions to monitor and manage medical equipment inventory, repairment schedule, and operating staff online by providing the real-time information of all the connected medical equipment with detailed information and repairment records, performance analysis and authorized operating staff.

We participate in the formulation of several national radiation therapy industry standards. In February 2022 and June 2023, we were chosen by the National Cancer Center of China (國家癌症中心) to be an editor for the formulation of the 2021 version and 2023 version of the National Standard of Radiation Therapy Quality Control Guidelines (國家腫瘤質控中心放療質控指南). We have, accordingly, initiated three national standard formulation projects to develop Radiation Therapy Data Validation Quality Control Practice Guidelines (放射治療數據審核質量保證實踐指南), Development Guidelines for the 5G-based Remote Radiation Therapy Plan Design, Implementation and Quality Control Platform (基於5G的遠程放療計劃設計、實施與質控平台建設指南) and Practice Guidelines for Total Skin (E-beam) Irradiation Technology (全皮膚(電子束)照射技術實踐指南).

## COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors: (1) oncology healthcare service provider in China featuring patient-oriented cancer care and precision radiation therapy, (2) diagnosis and treatment capability supported by our collaboration with medical institutions and equipment manufacturers, (3) self-owned medical institutions strategically located in economically developed regions in China, (4) network of enterprise customers served with our integrated oncology-related services, (5) medical technology, equipment, and professionals in precision radiation therapy and cancer diagnosis, and (6) medical professionals and visionary management team.

## GROWTH STRATEGIES

We intend to pursue the following strategies to further grow our business: (1) advance the clinical application of our proton therapy equipment and construction of complementary facilities, (2) expand our medical institutions, (3) upgrade our CSS services with cloud platforms to expand our business scale and cultivate SaaS business model, (4) broaden our service portfolio and patient touchpoints through our Internet Hospital, and (5) accelerate the conversion of scientific research and training achievements into clinical application.

## RISK FACTORS

Our business and the **[REDACTED]** involved certain risks, which are set out in the section headed "Risk Factors" in this document. We conduct our business in a strictly regulated industry and are subject to on-going compliance costs. We have incurred net loss, net cash used in operating activities, net current liabilities and total deficit in the past, and we may not be able to achieve or maintain profitability. Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions. We are carrying out a number of large-scale hospital construction projects which require substantial operational, financial and other resources. The construction projects may also be delayed or affected as a result of various factors, many of which are beyond our control. Our development and ramp-up schedule of new medical institutions could result in fluctuations in our short-term financial performance, and newly opened medical institutions may not achieve timely profitability, or at all. If we fail to recruit and retain a sufficient number of qualified physicians and other medical professionals, our business and results of operations could be materially and adversely affected. We may encounter difficulties in successfully attracting new enterprise customers or retaining existing ones, which could materially and adversely affect our business and operations. We have historically derived a significant portion of our revenue from a limited number of enterprise customers, and our trade receivables are also concentrated with a few enterprise customers. We recorded a significant amount of intangible assets, and if we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

As different investors may have different interpretations and criteria when determining the significance of a risk, you should carefully read the "Risk Factors" section in its entirety before you decide to **[REDACTED]** in our **[REDACTED]**. You should only rely on the information included in this document and the documents issued by our Company to make your **[REDACTED]** and should not rely on any other information, including any forward-looking information published by our Controlling Shareholders.

## CUSTOMERS AND SUPPLIERS

### Our Customers

Our customers primarily include patients that receive oncology diagnosis and treatment services at our medical institutions, and enterprise customers, including primarily our partnered hospitals, other medical institutions and medical enterprises, as well as distributors, for our medical equipment, software and related services.

In 2020, 2021, 2022 and the six months ended June 30, 2023, revenue generated from our five largest customers in each year/period during the Track Record Period was RMB48.3 million, RMB150.3 million, RMB137.9 million and RMB96.5 million, respectively, accounting for 29.1%, 31.9%, 29.2% and 33.8% of our total revenue in the same periods, respectively, and revenue generated from our largest customer in each year/period during the Track Record Period accounted for 7.4%, 12.2%, 12.2% and 16.4% of our total revenue in the same periods, respectively. All of our five largest customers in each year/period during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, Supervisors, their respective close associates or any Shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers in each year/period during the Track Record Period. See "Business—Our Customers."

### Our Suppliers

Our medical institutions primarily require pharmaceuticals, medical consumables and medical equipment, as well as lease property, for their daily operations. We also require medical equipment and consumables for our medical equipment, software and related services. In 2020, 2021, 2022 and the six months ended June 30, 2023, purchase from our five largest suppliers in each year/period during the Track Record Period was RMB67.3 million, RMB186.9 million, RMB165.4 million and RMB91.6 million, respectively, accounting for 42.3%, 43.4%, 37.8% and 40.5% of our total purchases in the same periods, respectively, and purchase from our largest supplier in each year/period during the Track Record Period accounted for 12.2%, 16.3%, 17.7% and 17.5% of our total purchases in the same periods, respectively. All of our five largest suppliers in each year/period during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, Supervisors, their respective close associates or any Shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers in each year/period during the Track Record Period. See "Business—Our Suppliers, Procurement and Inventory."

Except for two of our five largest customers in each year/period during the Track Record Period who were also our suppliers during the Track Record Period, none of our major customers was our major supplier during the Track Record Period. See "Business—Our Customers—Overlapping of Customers and Suppliers."

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary of consolidated financial information as of and for the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023. We have derived this summary from our audited financial information set forth in the Accountants' Report in Appendix I to this document. The summary financial data set forth below should be read together with our consolidated financial statements and the related notes set forth in the Accountants' Report in Appendix I to this document, as well as the section headed "Financial Information."

### Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Revenue** | 166,321 | 100.0 | 470,505 | 100.0 | 472,170 | 100.0 | 143,810 | 100.0 | 285,179 | 100.0 |
| Cost of revenue | (158,967) | (95.6) | (517,646) | (110.0) | (614,783) | (130.2) | (230,172) | (160.1) | (320,151) | (112.3) |
| **Gross profit/(loss)** | 7,354 | 4.4 | (47,141) | (10.0) | (142,613) | (30.2) | (86,362) | (60.1) | (34,972) | (12.3) |
| **Loss before income tax** | (597,809) | (359.4) | (836,337) | (177.8) | (647,170) | (137.1) | (418,201) | (290.8) | (218,385) | (76.6) |
| **Loss for the year/ period** | (591,341) | (355.5) | (831,133) | (176.6) | (637,222) | (135.0) | (415,067) | (288.6) | (214,257) | (75.1) |
| Attribute to: | | | | | | | | | | |
| Owners of the Company | (583,261) | (350.7) | (816,593) | (173.6) | (541,404) | (114.7) | (381,206) | (265.1) | (194,276) | (68.1) |
| Non-controlling interests | (8,080) | (4.9) | (14,540) | (3.1) | (95,818) | (20.3) | (33,861) | (23.5) | (19,981) | (7.0) |
| | (591,341) | (355.5) | (831,133) | (176.6) | (637,222) | (135.0) | (415,067) | (288.6) | (214,257) | (75.1) |

### Non-HKFRS Measure

We use adjusted net loss (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the non-HKFRS measure provides investors and management with greater visibility as to the underlying performance of our business operations and facilitates comparison of operating performance of other companies in our industry and of ourselves during different periods. However, our presentation of the non-HKFRS measure may not be comparable to similarly titled measures presented by other companies. The use of the non-HKFRS measure has limitations as analytical tools, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

We define adjusted net loss (non-HKFRS measure) as loss for the year/period adjusted by interest charge on redeemable capital contribution and **[REDACTED]** expenses. Our interest charge on redeemable capital contribution primarily represented interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements. Our redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, was primarily attributable to the special rights of the **[REDACTED]** Investors included in our financing arrangements, which were recorded as financial liabilities. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** in the future. See "History, Development and Corporate Structure—**[REDACTED]** Investments—Special Rights of **[REDACTED]** Investors". Our **[REDACTED]** expenses are expenses relating to our **[REDACTED]**. The following table reconciles our adjusted net loss (non-HKFRS measure) presented to the most directly comparable financial measure calculated and presented under HKFRSs.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | (RMB in thousands) | | | | |
| | | | | (Unaudited) | |
| **Loss for the year/period** | (591,341) | (831,133) | (637,222) | (415,067) | (214,257) |
| *Add:* | | | | | |
| Interest charge on redeemable capital contribution | 272,654 | 343,583 | 163,908 | 163,908 | — |
| **[REDACTED]** expenses | — | — | 2,109 | 1,055 | 224 |
| **Adjusted net loss (non-HKFRS measure)** | (318,687) | (487,550) | (471,205) | (250,104) | (214,033) |

See "Financial Information—Non-HKFRS Measure" for details.

Our net loss increased from RMB591.3 million in 2020 to RMB831.1 million in 2021, primarily due to (1) we recorded gross loss of RMB47.1 million in 2021 compared with gross profit of RMB7.4 million in 2020, primarily as a result of the gross loss for our hospital business in 2021, primarily due to the significant operation costs incurred for our medical institutions during the ramp-up stage, especially Guangzhou Hospital which became operational in June 2021, and (2) the increase in finance costs from RMB323.5 million in 2020 to RMB435.3 million in 2021, primarily as a result of an increase of RMB70.9 million in interest charge on redeemable capital contribution, representing the increasing interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements along with our increasing financing activities in 2021.

Our net loss decreased from RMB831.1 million in 2021 to RMB637.2 million in 2022, primarily because (1) we recorded other income and other net gains of RMB85.4 million in 2022, compared to other income and other net losses of RMB7.8 million in 2021, primarily because we recorded (i) one-off compensation income of RMB50.0 million in 2022 as damages received for the proton equipment in relation to an arbitration proceeding of Beijing Century Friendship, and (ii) reversal of impairment loss on amount due from related parties of RMB42.6 million in 2022, as a result of the decreasing balance of amounts due from related parties, driven by our enhanced settlement efforts, and (2) we recorded decrease in finance costs from RMB435.3 million in 2021 to RMB274.5 million in 2022, primarily due to a decrease of RMB179.7 million in interest charge on redeemable capital contribution as a result of the transfer of redeemable capital contribution from liabilities to equity upon the termination of the special rights of the **[REDACTED]** Investors.

Our net loss decreased from RMB415.1 million in the six months ended June 30, 2022 to RMB214.3 million in the same period of 2023, primarily due to the decrease in finance costs from RMB222.5 million for the six months ended June 30, 2022 to RMB54.9 million for the six months ended June 30, 2023, primarily due to a decrease of RMB163.9 million in interest charge on redeemable capital contribution as a result of the transfer of redeemable capital contribution from liabilities to equity upon the termination of the special rights of the **[REDACTED]** Investors.

See "Financial Information—Period to Period Comparison of Results of Operations."

### Key Components of Results of Operations

*Revenue by Service Offerings*

The following table sets forth a breakdown of our revenue by service offerings for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Hospital business** | 83,514 | 50.2 | 161,175 | 34.3 | 218,392 | 46.3 | 82,975 | 57.7 | 159,257 | 55.8 |
| Medical institutions | 83,514 | 50.2 | 161,175 | 34.3 | 218,392 | 46.3 | 82,975 | 57.7 | 159,257 | 55.8 |
| - Guangzhou Hospital(1) | — | — | 11,514 | 2.5 | 102,789 | 21.8 | 40,215 | 28.0 | 71,118 | 24.9 |
| - Guangzhou Outpatient Center | 75 | 0.0 | 1,610 | 0.3 | 7,856 | 1.7 | 3,983 | 2.8 | 1,670 | 0.6 |
| - Shanghai Outpatient Center | 53,247 | 32.0 | 87,702 | 18.7 | 58,264 | 12.3 | 20,367 | 14.2 | 45,671 | 16.0 |
| - Shanghai Imaging Center | 20,072 | 12.1 | 38,655 | 8.2 | 31,105 | 6.6 | 8,639 | 6.0 | 33,365 | 11.7 |
| - Shanghai GP Clinic | — | — | 1,044 | 0.2 | 767 | 0.2 | 292 | 0.2 | 912 | 0.3 |
| - Datong Hospital | 10,121 | 6.1 | 14,240 | 3.0 | 12,705 | 2.7 | 7,641 | 5.3 | 4,752 | 1.7 |
| - Datong Clinic(2) | — | — | 285 | 0.1 | 112 | 0.0 | 107 | 0.1 | — | — |
| - Internet Hospital | — | — | 6,126 | 1.3 | 4,794 | 1.0 | 1,731 | 1.2 | 1,769 | 0.6 |
| **Medical equipment, software and related services** | 82,807 | 49.8 | 309,330 | 65.7 | 253,778 | 53.7 | 60,835 | 42.3 | 125,922 | 44.2 |
| Sales and installing of medical equipment and software | 26,129 | 15.7 | 217,568 | 46.2 | 179,152 | 37.9 | 27,120 | 18.9 | 104,301 | 36.6 |
| Management and technical support | 37,156 | 22.3 | 64,599 | 13.7 | 53,109 | 11.2 | 22,477 | 15.6 | 12,028 | 4.2 |
| Operating lease | 19,522 | 11.8 | 27,163 | 5.8 | 21,517 | 4.6 | 11,238 | 7.8 | 9,593 | 3.4 |
| **Total** | 166,321 | 100.0 | 470,505 | 100.0 | 472,170 | 100.0 | 143,810 | 100.0 | 285,179 | 100.0 |

(1) Include revenue generated from the provision of COVID-19 testing service of RMB36,000, RMB465,000, RMB167,000 and RMB5,000 in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

(2) We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023.

Our revenue increased significantly from RMB166.3 million in 2020 to RMB470.5 million in 2021, primarily because (1) our revenue generated from our medical institutions increased by 93.0% from RMB83.5 million in 2020 to RMB161.2 million in 2021, as we continued to grow our hospital business with expanded scope of services by our existing medical institutions and the opening of new medical institutions primarily including Guangzhou Hospital, and (2) our revenue generated from our medical equipment, software and related services increased significantly from RMB82.8 million in 2020 to RMB309.3 million in 2021, primarily because revenue generated from sales and installing of medical equipment and software increased significantly from RMB26.1 million in 2020 to RMB217.6 million in 2021, as a result of an upgrade of our service capabilities and a step-up of our market education efforts for our sales and installing of medical equipment and software in 2021, which resulted in an increase in the number of customers for our sales and installing of medical equipment and software from seven in 2020 to 44 in 2021.

Our revenue increased by 0.4% from RMB470.5 million in 2021 to RMB472.2 million in 2022, primarily because of the revenue increase in our hospital business by 35.5% from RMB161.2 million in 2021 to RMB218.4 million in 2022, primarily due to the ramping up of our existing medical institutions in 2022, especially Guangzhou Hospital which only started to generate revenue since June 2021, partially offset by the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai. Such revenue increase in hospital business was partially offset by the revenue decrease in our medical equipment, software and related services by 18.0% from RMB309.3 million in 2021 to RMB253.8 million in 2022, primarily due to the decrease in revenue generated from sales and installing of medical equipment and software, resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022.

Our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the six months ended June 30, 2023, primarily because (1) the revenue generated from our hospital business increased by 91.9% from RMB83.0 million in the six months ended June 30, 2022 to RMB159.3 million in the same period in 2023, primarily due to the ramping up of our existing medical institutions, and (2) the revenue generated from our medical equipment, software and related services increased significantly from RMB60.8 million in the six months ended June 30, 2022 to RMB125.9 million in the same period in 2023, primarily because revenue generated from sales and installing of medical equipment and software increased significantly from RMB27.1 million in the six months ended June 30, 2022 to RMB104.3 million in the same period in 2023, as a result of our business development and recovery from the impact of the COVID-19 outbreaks as evidenced by an increase in the number of customers for our sales and installing of medical equipment and software from 13 to 19 in the same periods.

See "Financial Information—Period to Period Comparison of Results of Operations."

### *Gross Profit/(Loss) and Gross Margin by Service Offerings*

The following table sets forth a breakdown of our gross profit/(loss) and gross margin by service offerings for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Hospital business** | (39,635) | (47.5) | (115,014) | (71.4) | (172,634) | (79.0) | (95,905) | (116.6) | (43,720) | (27.5) |
| Medical institutions | (39,635) | (47.5) | (115,014) | (71.4) | (172,634) | (79.0) | (95,905) | (116.6) | (43,720) | (27.5) |
| - Guangzhou Hospital | — | — | (91,693) | (796.4) | (116,499) | (113.3) | (59,598) | (148.2) | (38,065) | (53.5) |
| - Guangzhou Outpatient Center | (3,238) | (4,339.6) | (9,221) | (572.8) | (10,902) | (138.8) | (5,472) | (137.4) | (4,960) | (297.0) |
| - Shanghai Outpatient Center | (14,230) | (26.7) | 177 | 0.2 | (19,255) | (33.0) | (12,023) | (59.0) | (1,092) | (2.4) |
| - Shanghai Imaging Center | (14,028) | (69.9) | (7,920) | (20.5) | (18,492) | (59.5) | (14,716) | (170.3) | 4,551 | 13.6 |
| - Shanghai GP Clinic | — | — | 765 | 73.3 | (5) | (0.6) | (34) | (11.7) | (90) | (9.8) |
| - Datong Hospital | (8,140) | (80.4) | (8,976) | (63.0) | (10,370) | (81.6) | (4,945) | (64.7) | (5,191) | (109.2) |
| - Datong Clinic[(1)] | — | — | 52 | 18.1 | (64) | (56.8) | (46) | (43.0) | — | — |
| - Internet Hospital | — | — | 1,801 | 29.4 | 2,953 | 61.6 | 929 | 53.7 | 1,127 | 63.7 |
| **Medical equipment, software and related services** | 46,989 | 56.7 | 67,873 | 21.9 | 30,020 | 11.8 | 10,423 | 17.1 | 8,747 | 6.9 |
| Sales and installing of medical equipment and software | 9,327 | 35.7 | 18,088 | 8.3 | 13,463 | 7.5 | 829 | 3.1 | 9,369 | 9.0 |
| Management and technical support | 32,507 | 87.5 | 42,894 | 66.4 | 14,455 | 27.2 | 7,240 | 32.2 | (2,075) | (17.3) |
| Operating lease | 5,155 | 26.4 | 6,891 | 25.4 | 2,102 | 9.8 | 2,354 | 20.9 | 1,453 | 15.1 |
| **Total** | 7,354 | 4.4 | (47,141) | (10.0) | (142,613) | (30.2) | (86,362) | (60.1) | (34,972) | (12.3) |

(1) We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023.

*Gross loss of hospital business*

We recorded gross loss for our hospital business during the Track Record Period, primarily due to the significant operation costs incurred for our medical institutions during the ramp-up stage, especially Guangzhou Hospital which became operational in June 2021. The gross margin of our hospital business decreased from negative 47.5% in 2020 to negative 71.4% in 2021, primarily due to the significant increases in employee benefit expenses, cost of pharmaceuticals, consumables and other inventories, and depreciation and amortization associated with the opening of our Guangzhou Hospital in June 2021 and its operation going forward. The gross margin of our hospital business decreased from negative 71.4% in 2021 to negative 79.0% in 2022, primarily due to (1) the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai, and (2) the increases in employee benefit expenses, depreciation and amortization, and cost of pharmaceuticals, consumables and other inventories incurred during the ramp-up stage associated with the operation of our other medical institutions in 2022, primarily including Guangzhou Hospital. The gross margin of our hospital business increased from negative 116.6% in the six months ended June 30, 2022 to negative 27.5% in the six months ended June 30, 2023, primarily because we continued to grow our hospital business with the ramping up of our existing medical institutions and their business recovery from the impact of COVID-19 outbreaks while maintained relatively stable fixed cost.

Considering the high demand for talents in the field of precision radiation therapy services where relevant skill and experience is scarce, we recruited in advance many key medical professionals and management personnel for precision radiation therapy, especially proton therapy, related services to be carried out for our Guangzhou Hospital. Accordingly, we incurred relevant significant employee benefit expenses in cost of revenue for our Guangzhou Hospital. Specifically, in 2021, the employee benefit expenses related to such core team was RMB28.7 million, accounting for 22.3% of total employee benefit expenses recorded as cost of revenue. We expect such core team to conduct multi-site practice to also support the operation of our Shanghai Hospital upon commencement, especially its proton center. Despite such arrangement, Shanghai Hospital may still incur substantial employee benefit expenses at a similar level of Guangzhou Hospital, or record negative gross margin to a lesser extent compared with Guangzhou Hospital, during its ramp-up period.

To effectively control the cost of revenue and expenses while achieving expected growth for our Shanghai Hospital, we will also (1) optimize its organization and staffing structure, design the employee salary to match their work performance, and train more young employees instead of having unnecessary high-paid senior positions; (2) leverage our accumulated patient base to gain pricing advantage for procuring pharmaceuticals and medical consumables; and (3) attract patients and accelerate the business growth of Shanghai Hospital upon commencement.

In 2021, there was an increase of employee benefit expenses of RMB69.6 million for our physicians, professional nurses and caretaking staff, and other medical professionals at Guangzhou Hospital after it has become operational since June 2021, and such expenses were previously recorded as administrative expenses prior to its opening, and then were recorded as cost of revenue from June 2021 onwards. As Guangzhou Hospital also incurred other costs while only generating revenue of RMB11.5 million during its early ramp-up stage in 2021, it recorded significant gross loss, leading to a declining gross margin for our hospital business in 2021. We do not expect significant increase in the staffing for our medical professionals and other supporting staff at established medical institutions after they become operational.

We generally recorded improving gross margin for our medical institutions in Guangzhou from 2020 to 2022 and our medical institutions in Shanghai and Datong from 2020 to 2021, along with the enlarging patient base and our gradual efforts in managing these medical institutions in a cost-effective manner during the ramp-up stage. Datong Hospital recorded decreased gross margin from 2021 to 2022, primarily due to the decrease in average spending per inpatient visit as a result of the decreased average spending for inpatient services for patients covered by the public medical insurance program as requested by Datong Medical Insurance Service Centre when executing the price ceilings of average spending for inpatient services per inpatient visit designated in the public medical insurance agreements in practice in 2022. See "Risk Factors—Risks Relating to Our Business and Industry—Certain of the medical services and products we provide are effectively subject to regulatory price controls due to our voluntary price-matching policies, which may adversely affect our results of operations". Datong Hospital recorded decreased gross margin in the six months ended June 30, 2023 compared to the same period in 2022 primarily due to the decreased patient visits as (1) we streamlined the staffing at Datong Hospital to optimize its organizational structure, leading to temporary staffing changes and decreased patient service capacity during such adjustments, and (2) Datong Hospital had limited comprehensive treatment capability and surgery expertise to attract patients facing the intensified local market competition, according to the F&S Report. Shanghai Outpatient Center and Shanghai Imaging Center recorded decreasing gross margin from 2021 to 2022, primarily due to the decrease in revenue generated because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai. We recorded improved gross margin for Guangzhou Hospital and Shanghai Outpatient Center, and achieved gross profit for Shanghai Imaging Center in the six months ended June 30, 2023 compared to the same period in 2022, along with their ramping-up and business recovery from the impact of COVID-19 outbreaks. Guangzhou Outpatient Center recorded decreased gross margin in the six months ended June 30, 2023 compared to the same period in 2022, primarily due to the decrease in average spending per outpatient visit because we adjusted the development strategy for

Guangzhou Outpatient Center in 2023 to position it as a patient acquisition, reception, referral and post-treatment health management hub to complement the clinical services in Guangzhou Hospital to achieve better synergy among the two medical institutions along with the burgeoning of Guangzhou Hospital.

*Gross margin during the Track Record Period*

We recorded gross margin of 4.4% in 2020 and negative 10.0% in 2021, primarily due to (1) the decrease in gross margin for our hospital business from negative 47.5% in 2020 to negative 71.4% in 2021, with the reason discussed above, and (2) the decrease in gross margin for our medical equipment, software and related services from 56.7% in 2020 to 21.9% in 2021, as a result of (i) the decrease in gross margin for our sales and installing of medical equipment and software from 35.7% in 2020 to 8.3% in 2021, primarily due to the strategic promotion of our sales and installing of medical equipment and software to new enterprise customers under the same development strategy with previous year, and (ii) the decrease in gross margin for our management and technical support from 87.5% in 2020 to 66.4% in 2021. In order to serve more enterprise customers with our remote services, in 2021 we began to provide (1) software development services with a relatively lower gross margin compared to our comprehensive support service for large-scale medical equipment, which is in line with industry standard, and (2) healthcare consultation services through Internet Hospital with relatively large staff costs and low gross margin in early development stage.

Our gross margin decreased from negative 10.0% in 2021 to negative 30.2% in 2022, primarily due to (1) the decrease in gross margin for our hospital business from negative 71.4% in 2021 to negative 79.0% in 2022, primarily in relation to the decreased gross margin recorded for Shanghai Outpatient Center and Shanghai Imaging Center with the reason discussed above, and (2) the decrease in gross margin for our medical equipment, software and related services from 21.9% in 2021 to 11.8% in 2022, primarily as a result of (i) the decrease in gross margin of sales and installing of medical equipment and software in 2022, primarily due to the decrease in revenue generated from sales and installing of medical equipment and software, resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment that generally has relatively higher gross margin, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022, and (ii) the decrease in gross margin of management and technical support in 2022, primarily due to the increase in cost of revenue in relation to management and technical support in 2022, primarily due to an increase in the headcount for our staff responsible for offering software development services, healthcare consultation services and other remote services to serve the business expansion.

Our gross margin increased from negative 60.1% in the six months ended June 30, 2022 to negative 12.3% in the six months ended June 30, 2023, primarily due to the increase in gross margin for our hospital business from negative 116.6% in the six months ended June 30, 2022 to negative 27.5% in the same period in 2023, with the reason discussed above.

*Gross margin for medical equipment, software and related services*

Our gross margin for sales and installing of medical equipment and software decreased from 35.7% in 2020 to 8.3% in 2021 and 7.5% in 2022, primarily due to the strategic promotion of our sales and installing of medical equipment and software to new enterprise customers under our development strategy. Our gross margin for management and technical support decreased from 87.5% in 2020 to 66.4% in 2021 and further to 27.2% in 2022, primarily because (1) in order to serve more enterprise customers with our remote services, in 2021 we began to provide (i) software development services with a relatively lower gross margin compared to our comprehensive support service for large-scale medical equipment, which is in line with industry standard, and (ii) healthcare consultation services through Internet Hospital with relatively large staff costs and low gross margin in early development stage, and (2) our comprehensive support service agreements with three management and technical support customers expired in 2022, which we did not renew upon expiry considering that they have achieved their goals to improve their medical and operational capabilities benefited from our years of comprehensive support. Our gross margin for our management and technical support decreased from 32.2% in the six months ended June 30, 2022 to negative 17.3% in the six months ended June 30, 2023, primarily due to the expiration of agreements with certain management and technical support customers and less ongoing software development projects for our software development services which resulted in the decrease in our revenue generated from management and technical support, while we still incurred relatively stable fixed costs such as employee benefit expenses and depreciation and amortization for our management and technical support.

Our gross margin for operating lease decreased from 26.4% in 2020 and 25.4% in 2021 to 9.8% in 2022, primarily due to a decrease in the revenue generated from our contracted percentage fee model with our partnered hospitals due to their limited service capacity and patient base amid the regional resurgence of COVID-19 in 2022, while our cost for providing such services remained relatively stable. Our gross margin for operating lease decreased from 20.9% in the six months ended June 30, 2022 to 15.1% in the six months ended June 30, 2023, primarily due to the decrease in our revenue generated from operating lease resulting from the expiration of agreements with certain operating lease customers, while we still incurred relatively stable fixed costs such as employee benefit expenses and depreciation and amortization for operating lease.

See "Financial Information—Period to Period Comparison of Results of Operations."

**Summary of Consolidated Balance Sheets**

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Total non-current assets | 4,271,827 | 4,577,504 | 4,624,998 | 4,607,442 |
| Total current assets | 707,199 | 869,449 | 786,527 | 903,710 |
| Total non-current liabilities | (2,184,628) | (2,300,591) | (2,479,829) | (2,337,712) |
| Total current liabilities | (3,312,250) | (4,303,312) | (936,117) | (1,092,118) |
| Net current liabilities | (2,605,051) | (3,433,863) | (149,590) | (188,408) |
| Non-controlling interests | 160,290 | 400,381 | 310,309 | 293,821 |
| Total equity/(deficit) | (517,852) | (1,156,950) | 1,995,579 | 2,081,322 |

We had net assets of RMB1,995.6 million and RMB2,081.3 million as of December 31, 2022 and June 30, 2023, respectively. We had net liabilities of RMB517.9 million and RMB1,157.0 million as of December 31, 2020 and 2021, respectively. Our net liabilities increased from RMB517.9 million as of December 31, 2020 to RMB1,157.0 million as of December 31, 2021, primarily due to a decrease in reserves of RMB879.2 million, primarily as a result of the increase in net losses, partially offset by an increase in non-controlling interests of RMB240.1 million, primarily as a result of the acquisition of Beijing Healthingkon through business combination under common control. We had net assets of RMB1,995.6 million as of December 31, 2022, compared to net liabilities of RMB1,157.0 million as of December 31, 2021, primarily due to an increase in reserves of RMB2,753.9 million, primarily as a result of the designation of redeemable capital contribution from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments. Our net assets further increased to RMB2,081.3 million as of June 30, 2023, primarily due to an increase in reserves of RMB74.0 million, primarily as a result of the D Round **[REDACTED]** Investment.

Our net current liabilities increased from RMB2,605.1 million as of December 31, 2020 to RMB3,433.9 million as of December 31, 2021, primarily due to (1) an increase in redeemable capital contribution of RMB743.6 million, in connection with the investments from the **[REDACTED]** Investors, and (2) a decrease in cash and cash equivalents of RMB288.7 million, primarily due to the utilization of cash to fulfill the working capital requirements of our daily operations during business growth, partially offset by an increase in amounts due from related parties of RMB364.2 million as a result of the disposal of our equity interest in Beijing Century Friendship. See "Risk Factors—Risks Relating to Our Business and Industry—We have incurred net loss, net cash used in operating activities, net current liabilities and total deficit in the past, and we may not be able to achieve or maintain profitability."

Our net current liabilities decreased from RMB3,433.9 million as of December 31, 2021 to RMB149.6 million as of December 31, 2022, primarily due to (1) a decrease in redeemable capital contribution of RMB3,625.8 million, in connection with the designation of redeemable capital contribution from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments, and (2) an increase in deposits, prepayments and other receivables of RMB58.5 million, primarily due to (i) an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses, and (ii) an increase in other receivables associated with non-trade receivables from third parties and the estimated value-added tax receivables in connection with the construction projects of our medical institutions, in line with our business growth, partially offset by (1) an increase in amounts due to related parties of RMB194.4 million, and (2) a decrease in amounts due from related parties of RMB150.4 million driven by our enhanced collection efforts.

Our net current liabilities increased from RMB149.6 million as of December 31, 2022 to RMB188.4 million as of June 30, 2023, primarily due to (1) an increase in bank and other borrowings of RMB170.2 million, driven by our financing efforts to accommodate the capital expenditure needs for the expansion of our hospital business, (2) a decrease in inventories of RMB42.1 million primarily due to the decreases in medicine and medical equipment as a result of the consumption of medicine during daily operation of our hospitals and the sales of medical equipment along with the growth of our sales and installing of medical equipment and software, partially offset by an increase in cash and cash equivalents of RMB130.8 million primarily due to an increase in cash at bank as a result of the D Round **[REDACTED]** Investment.

**Summary of Consolidated Statements of Cash Flows**

The following table sets forth a summary of our cash flows for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Net cash flows generated/(used in) from operating activities | 50,638 | 151,234 | (93,637) | (130,767) |
| Net cash flows used in investing activities | (851,510) | (945,044) | (100,325) | (4,273) |
| Net cash flows generated from financing activities | 1,165,697 | 505,063 | 184,373 | 265,854 |
| Net increase/(decrease) in cash and cash equivalents | 364,825 | (288,747) | (9,589) | 130,814 |
| Cash and cash equivalents at beginning of the year/period | 60,007 | 424,832 | 136,085 | 126,496 |
| Cash and cash equivalents at end of the year/period | 424,832 | 136,085 | 126,496 | 257,310 |

Our primary uses of cash are to fund the daily operations of our business. During the Track Record Period, we financed our capital expenditures and working capital requirements principally with cash generated from our operations and bank and other borrowings. In 2022, we recorded net operating cash outflow of RMB93.6 million, primarily due to (1) our loss before income tax of RMB647.2 million, and (2) changes in working capital that negatively affected the cash flow, primarily including (i) an increase in deposits, prepayments and other receivables of RMB51.3 million primarily related to an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses, and an increase in other receivables associated with non-trade receivables from third parties and the estimated value-added tax receivables in connection with the construction projects of our medical institutions, in line with our business growth, and (ii) an increase in inventories of RMB46.7 million, primarily due to an increase in our purchase of medical equipment, generally consistent with the growth in our sales and installing of medical equipment and software. In the six months ended June 30, 2023, we recorded net operating cash outflow of RMB130.8 million, primarily due to (1) our loss before income tax of RMB218.4 million, and (2) changes in working capital that negatively affected the cash flow, primarily including (i) an increase in deposits, prepayments and other receivables of RMB41.9 million primarily related to an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses, and (ii) a decrease in accruals and other payables of RMB29.7 million primarily due to the decrease in salaries payables as a result of the payment for certain employee salaries and bonuses. See "Financial Information—Liquidity and Capital Resources—Cash Flows" for more details.

**Working Capital Sufficiency**

We recorded net current liabilities of RMB2,605.1 million and RMB3,433.9 million as of December 31, 2020 and 2021, respectively, primarily attributable to our redeemable capital contribution. We had net liabilities and total deficit of RMB517.9 million and RMB1,157.0 million as of December 31, 2020 and 2021, respectively, primarily attributable to redeemable capital contribution and bank and other borrowings. Our redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, was primarily attributable to the special rights of the **[REDACTED]** Investors included in our financing arrangements, which were recorded as financial liabilities. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. See "History, Development and Corporate Structure—**[REDACTED]** Investments—Special Rights of **[REDACTED]** Investors" and Note 30 to the Accountants' Report in Appendix I to this document for details. Consequently, as of December 31, 2022, we recorded nil redeemable capital contribution, and we had significantly reduced our net current liabilities to RMB149.6 million and returned to a total equity position. Specifically, we recorded net assets and total equity of RMB1,995.6 million as of December 31, 2022 and RMB2,081.3 million as of June 30, 2023.

We seek to improve our liquidity and profitability as well as ensure our working capital sufficiency going forward by driving our operating cash flow through our expanding business as well as implementing cost control measures. See "Financial Information—Business Sustainability—Driving Continuous Revenue Growth" and "Financial Information—Business Sustainability—Reducing Costs and Expenses as Percentage of Revenue." We successfully increased our net operating cash inflow from RMB50.6 million in 2020 to RMB151.2 million in 2021. Such continuous growth from 2020 to 2021 was primarily driven by (1) the decrease in amounts due from related parties due to our enhanced collection efforts, (2) the increase in accruals and other payables primarily related to construction costs for our medical institutions to expand our hospital business, primarily including Guangzhou Hospital, (3) the decrease in deposits, prepayments and other receivables as a result of the decrease in prepayment for property, plant and equipment associated with the construction of our medical institutions along with the expansion of our hospital business, and (4) the increase in trade payables along with the growth of our sales and installing of medical equipment and software.

We believe that we have sufficient working capital for the next 12 months from the date of this document after considering (1) our cash and cash equivalents balance of RMB257.3 million as of June 30, 2023, (2) our good track record in being able to raise money from renowned investors to finance our business, as evidenced by three rounds of **[REDACTED]** Investments, (3) unutilized credit facilities of RMB820.0 million from independent third party commercial banks for working capital purposes as of the Latest Practicable Date, (4) **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), and that the **[REDACTED]** is not **[REDACTED]**, (5) proceeds from bank borrowings from other commercial banks for fixed assets investment and construction purposes, (6) the Company's operating requirements including, among others, selling and distribution expenses, administrative expenses, research and development expenses, capital expenditures, and expenses related to the construction and staffing of Shanghai Hospital, and (7) the expected financing cash outflow considering the maturity profile of our bank and other borrowings as of June 30, 2023 and the related borrowings repayment and interest payment schedule in the next 12 months from the date of this document.

We intend to continue to finance our working capital with cash generated from our operations, bank loans, **[REDACTED]** from the **[REDACTED]** and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into consideration of financial resources presently available to us, our Directors are of the view, and the Joint Sponsors concur, that our working capital, which includes available cash and cash equivalents, anticipated cash flow from operations, bank loans and other borrowings, and **[REDACTED]** from the **[REDACTED]**, will be sufficient to meet our present requirements for the next 12 months from the date of this document.

See "Financial Information—Working Capital Sufficiency."

**BUSINESS SUSTAINABILITY**

We recorded accumulated losses of RMB744.5 million as of January 1, 2019. The accumulated loss as of January 1, 2019 was primarily due to the net losses incurred in our history of developing hospital business, which were primarily attributable to (1) the gross loss for our hospital business as our first two self-owned medical institutions, including (i) Datong Hospital, which started pilot operation in May 2016 and became fully operational in May 2017, and was in early ramp-up stage with significant upfront costs but limited revenue prior to 2019, and (ii) Shanghai Outpatient Center, which we acquired in October 2018 with accumulated losses incurred from its prior operation and limited revenue recorded during the initial stage of our operation, (2) the high upfront construction and renovation costs for medical institutions in construction, (3) the significant staff costs for our medical institutions, as we recruit in advance medical professionals prior to opening of our medical institutions to support operation, and (4) the significant finance costs, primarily including interest charge on redeemable capital contribution which represented interests accrued on the special rights of the **[REDACTED]** Investors, and interest charge on bank and other borrowings. See "History, Development and Corporate Structure—**[REDACTED]** Investments."

We incurred net losses during the Track Record Period and net operating cash outflow in 2022 and the six months ended June 30, 2023, as we have been focusing on constructing and establishing our medical institutions and growing our business, and large initial investments is mandatory for hospital industry due to its heavy-asset nature. We believe such initial investments were indispensable to the expansion of our geographical coverage in order to capture the significant monetization opportunities from patients and enterprise customers. However, it takes time for newly established medical institutions to attract patients and generate revenue large enough to offset costs and expenses of initial investments. Our strategy has been driving long-term and sustainable growth of our business and creating more value in the industry through continuous research and application of advanced oncology diagnostic and treatment technologies. Our management considers that we are at a relatively early stage of our monetization efforts for our medical institutions during the ramp-up stage. Thus, despite our expanding business scale, we may continue to incur net losses and net operating cash outflow in the foreseeable future as described above. We expect to incur net loss for 2023 and 2024, and net operating cash outflow in 2023. However, going forward, we expect to achieve and maintain profitability primarily through continuous revenue growth and improved cost efficiency, along with the expected decrease in finance costs due to the elimination of the interest charge on redeemable capital contribution as a result of the transfer of redeemable capital contribution from liabilities to equity upon the termination of the special rights of the **[REDACTED]** Investors. Our future profitability is subject to various factors, including our ability to effectively monetize our service offerings and continuously grow revenue in a cost-effective way. See "Risk Factors—Risks Relating to Our Business and Industry—We have incurred net loss, net cash used in operating activities, net current liabilities and total deficit in the past, and we may not be able to achieve or maintain profitability."

Our Directors consider that our business is sustainable despite the current loss-making, for the following reasons.

- ***Capturing the growing market demand.*** China's oncology healthcare service market and cancer treatment support service market has been growing due to strong demand with short supply of oncology medical resource. As the second largest player in China's cancer treatment support service market in terms of the relevant revenue generated in 2022, we believe we are well positioned to capitalize on the favorable industry trends and reinforce our market leadership by leveraging our cancer treatment technologies and physicians.

- ***Recouping significant initial investments for hospital business.*** Our hospital business is featured with significant initial investments. We incur substantial expenses before new medical institutions become operational, including construction and renovation costs, staff costs, and equipment costs, which could have a short-term negative impact on our liquidity and profitability. However, as many of such initial investments are fixed costs, which are generally not expected to continue to grow significantly, we expect the enlarging patient base and their growing spending would turn to sustainable revenue growth to dilute and eventually offset costs and expenses to reach profitability, as our medical institutions go through the ramp-up stage and become fully-fledged.

- ***Improving gross margin for medical institutions.*** We generally recorded improving gross margin for our medical institutions in Guangzhou from 2020 to 2022 and our medical institutions in Shanghai and Datong from 2020 to 2021, along with the enlarging patient base and our gradual efforts in managing these medical institutions in a cost-effective manner during the ramp-up stage. In particular, we generated gross profit from Shanghai Outpatient Center in 2021 and significantly improving gross margin for Guangzhou Hospital and Guangzhou Outpatient Center in 2022. Furthermore, we recorded improved gross margin for Guangzhou Hospital and Shanghai Outpatient Center, and achieved gross profit for Shanghai Imaging Center in the six months ended June 30, 2023 compared to the same period in 2022, along with their ramping-up and business recovery from the impact of COVID-19 outbreaks.

- ***Narrowing loss margin in 2021 and the six months ended June 30, 2023, and stable loss margin amidst COVID-19 resurgence in 2022.*** Along with the significant growth of our revenue in 2021, our net margin improved significantly from negative 355.5% in 2020 to negative 176.6% in 2021. In addition, excluding the impact of interest charge on redeemable capital contribution and **[REDACTED]** expenses, our adjusted net loss margin (non-HKFRS measure) has also begun to narrow from negative 191.6% in 2020 to negative 103.6% in 2021. Despite the impact of the COVID-19 resurgence, our net margin improved significantly from negative 176.6% in 2021 to negative 135.0% in 2022. Our adjusted net loss margin (non-HKFRS measure) remained relatively stable at negative 103.6% and negative 99.8% in the same periods, indicating our business resilience. See "Financial Information—Non-HKFRS Measure" for details. Following the ramping-up of our hospital business and business recovery from the impact of COVID-19 outbreaks, our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the same period in 2023, and our net margin also improved significantly from negative 288.6% to negative 75.1% in the same periods. Our adjusted net loss margin (non-HKFRS measure) also narrowed from negative 173.9% in the six months ended June 30, 2022 to negative 75.1% in the same period in 2023.

- ***Benefiting from customer acquisition strategy for medical equipment, software and related services.*** For our medical equipment, software and related services, our long-term strategy is to acquire new enterprise customers and target hospitals as our end customers, by supplying them with medical equipment and assisting hospitals in achieving well-rounded development on medical technology and operational management by providing comprehensive support services. Accordingly, we strategically promoted our sales and installing of medical equipment and software at a relatively low gross margin level to acquire new enterprise customers with the purchase potential to bring recurring business opportunities. Specifically, new business opportunities may emerge along with the equipment supply, including demands for equipment repair, maintenance and upgrade, or our cloud platform services for customized and digitalized services, thereby creating strong customer stickiness for our management and technical support services on a continuous basis, due to the relatively high switching cost. Along with the implementation of our customer acquisition strategy, we expect to improve the gross margin for our sales and installing of medical equipment and software as well as management and technical support services to monetize the enlarging customer base.

- ***Implementing multiple business initiatives.*** As discussed above, we have formulated and begun to implement specific strategies and concrete plans to improve our profitability, such as various business initiatives to expand patient and customer base and stimulate their spending with us, and continuous improvement of our operating efficiency and cost structure through structure optimization and budget planning.

- ***Elimination of interest charge on redeemable capital contribution.*** As our redeemable capital contribution has been transferred from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments, we recorded nil redeemable capital contribution as of June 30, 2023, and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. As a result, we expect to greatly improve our net loss position, as the interest charge on redeemable capital contribution had significant negative impact on our profitability during the Track Record Period.

Based on the foregoing, our Directors are of the view that our business is sustainable despite the current loss-making. Upon considering the foregoing and after conducting relevant due diligence work, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the Director's view that our business is sustainable. For detailed measures to drive continuous revenue growth and reduce costs and expenses as percentage of revenue, see "Financial Information—Business Sustainability—Driving Continuous Revenue Growth" and "Financial Information—Business Sustainability—Reducing Costs and Expenses as Percentage of Revenue."

**Key Financial Ratios**

| | As of/for the year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| **Profitability:** | | | | |
| Gross margin | 4.4% | (10.0)% | (30.2)% | (12.3)% |
| Net margin | (355.5)% | (176.6)% | (135.0)% | (75.1)% |
| **Liquidity:** | | | | |
| Current ratio | 0.21 | 0.20 | 0.84 | 0.83 |
| Quick ratio | 0.21 | 0.19 | 0.75 | 0.79 |

See "Financial Information—Key Financial Ratios."

## [REDACTED] STATISTICS

| | Based on an [REDACTED] of HK$[REDACTED] per H Share | Based on an [REDACTED] of HK$[REDACTED] per H Share |
|---|---|---|
| **[REDACTED]** of our Shares immediately after completion of the **[REDACTED]**(2) | HK$**[REDACTED]** million | HK$**[REDACTED]** million |
| **[REDACTED]** of our H Shares immediately after completion of the **[REDACTED]**(2) | HK$**[REDACTED]** million | HK$**[REDACTED]** million |
| Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share(3) | HK$**[REDACTED]** | HK$**[REDACTED]** |

(1) All statistics in this table are presented based on the assumption that the **[REDACTED]** is not **[REDACTED]**.

(2) The calculation of market capitalization is based on **[REDACTED]** Domestic Shares in issue, **[REDACTED]** H Shares converted from Domestic Shares and **[REDACTED]** H Shares expected to be in issue and outstanding following the completion of the **[REDACTED]**.

(3) The unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated after the adjustments referred to in "Appendix II—Unaudited **[REDACTED]** Financial Information" to this document and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** had been completed on June 30, 2023 and without taking into account (i) any shares which may be allotted and issued upon the **[REDACTED]** of the **[REDACTED]** or (ii) any trading results or other transactions of the Group entered into subsequent to June 30, 2023.

(4) No adjustment has been made to the unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2023.

## OUR SHAREHOLDING STRUCTURE

### Our Controlling Shareholders

Immediately after the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**), Shanghai Medstar, Tianjin Concord, Beijing Concord and Shanghai Xinhe will collectively hold **[REDACTED]**% of the issued share capital of our Company. Shanghai Medstar is owned as to 98.19% by Ascendium Group Limited, a wholly-owned subsidiary of Concord Medical, and as to 1.81% by Shanghai Huifu Technology Development Co., Ltd., which is in turn owned as to approximately 99% by Dr. Yang. Tianjin Concord is wholly owned by Shanghai Medstar. Beijing Concord is directly wholly owned by Concord Hospital Management Group Limited, which is in turn directly wholly owned by Ascendium Group Limited. Dr. Yang, through his controlled entity, Morgancreek, is entitled to exercise approximately 73.2% of the voting rights at general meetings of Concord Medical. The general partner of Shanghai Xinhe is Shanghai Xinfu Enterprise Management Center (Limited Partnership), the general partner of which is Shanghai Huifu Technology Development Co., Ltd. Additionally, pursuant to the voting proxy arrangement, Shanghai Medstar is able to control an additional **[REDACTED]**% of the voting power at general meetings of our Company (excluding the voting proxy arrangement with Shanghai Xinhe) immediately after the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**). Accordingly, the CCM Shareholder Group, namely Dr. Yang and the entities controlled by him directly or indirectly for holding interests in the Company, including Morgancreek Investment Holdings Limited, Concord Medical, Ascendium Group Limited, Shanghai Huifu Technology Development Co., Ltd., Concord Hospital Management Group Limited, Shanghai Medstar, Tianjin Concord, Beijing Concord and Shanghai Xinhe will collectively control **[REDACTED]**% of the voting power at general meetings of our Company immediately after the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**) and will be our Controlling Shareholders under the Listing Rules. See "Relationship with Our Controlling Shareholders" and "History, Development and Corporate Structure" for details.

### [REDACTED] Investors

We have completed **[REDACTED]** equity financings to fund our business expansion. The **[REDACTED]** Investors (other than our **[REDACTED]** Investor in D Round **[REDACTED]** Investment) were granted certain special rights, and all special rights under the **[REDACTED]** Investments were terminated on May 30, 2022 prior to the submission of the application for the **[REDACTED]**. See "History, Development and Corporate Structure — **[REDACTED]** Investments" for details of the identity and background of our **[REDACTED]** Investors.

## DIVIDEND

We are a holding company incorporated under the laws of the PRC. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

According to the PRC Company Law, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, our PRC companies cannot pay dividends if such companies are in an accumulated loss position.

During the Track Record Period, we did not declare or pay any dividend. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, our capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Dividends declared in the past may not be indicative of our future dividend policy. Our Directors have the absolute discretion to recommend any dividend. We cannot assure you that our Company will be able to declare dividends of any amount each year or in any year. See "Financial Information—Dividend."

## LEGAL PROCEEDINGS AND COMPLIANCE

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of our business, which primarily include medical disputes brought by patients and/or their families against our medical institutions. As of the Latest Practicable Date, we had two medical disputes, which were still ongoing. For the two lawsuits initiated in May 2020 and July 2023, respectively, based on the amount claimed by the plaintiffs in the complaints and the latest development of the medical disputes, we estimate that the aggregate maximum exposure in relation to our unresolved medical disputes will not exceed RMB0.5 million and RMB0.1 million, respectively. In addition, we had two ongoing contract litigations as of the Latest Practicable Date, including (1) one litigation initiated by our contractor against us related to the amount and payment of the renovation expenses with an alleged amount of approximately RMB1.7 million for the renovation of Guangzhou Outpatient Center; and (2) one litigation initiated by our contractor against us related to the payment of the equipment supply and software system installment expenses for Guangzhou Hospital with an alleged amount of approximately RMB6.9 million, for which we have entered into settlement agreement with such contractor as of the date of this document. Our Directors are of the view that such unresolved disputes would not have any material adverse effect on our business, results of operations or financial condition. Save as disclosed above, as of the Latest Practicable Date, we are not a party to any other ongoing litigation, arbitration or administrative proceedings arising from medical disputes which may have a material adverse effect on us, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business, results of operations and financial condition.

As of the Latest Practicable Date, save as disclosed in "Business—Legal Proceedings and Compliance—Compliance", we did not commit any material non-compliance of the laws and regulations, and we did not experience any non-compliance incident of the laws and regulations, which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations or financial condition. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, save as disclosed in "Business—Legal Proceedings and Compliance—Compliance", we have complied with the relevant currently applicable PRC laws and regulations in all material respects in China. See also "Business—Legal Proceedings and Compliance—Compliance."

## [REDACTED] EXPENSES

We expect to incur a total of approximately RMB**[REDACTED]** million of **[REDACTED]** expenses upon the completion of the **[REDACTED]**, representing approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the **[REDACTED]** between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not **[REDACTED]**), including (1) **[REDACTED]**-related expenses, which consists of sponsor fee and **[REDACTED]**, of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (2) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (ii) other fees and expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million). During the Track Record Period, we incurred **[REDACTED]** expenses of approximately RMB**[REDACTED]** million, out of which approximately RMB**[REDACTED]** million was charged to our consolidated statements of profit or loss as administrative expenses, while the remaining amount of approximately RMB**[REDACTED]** million directly attributable to the issuance of Shares will be deducted from equity upon the completion of the **[REDACTED]**. We expect to further incur **[REDACTED]** expenses of approximately RMB**[REDACTED]** million upon completion of the **[REDACTED]**, out of which approximately RMB**[REDACTED]** million is expected to be charged to our consolidated statements of profit or loss and approximately RMB**[REDACTED]** million is expected to be deducted from equity. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

**[REDACTED]**

We estimate that the **[REDACTED]** of the **[REDACTED]**, after deducting the estimated **[REDACTED]** and other fees and expenses payable by us in connection with the **[REDACTED]**, will be approximately HK$**[REDACTED]** million, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), and that the **[REDACTED]** is not **[REDACTED]**.

We currently intend to use the **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts as set out below.

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, for repaying part of our interest-bearing bank borrowings;
- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, for expanding our medical institutions and upgrading our equipment infrastructure, in order to increase our service capacity and quality; and
- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, for working capital and other general corporate purposes.

For further details, see "Future Plans and **[REDACTED]—[REDACTED]**."

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

We are applying for **[REDACTED]** under Rule 8.05(3) of the Listing Rules and satisfy the **[REDACTED]** test, among other things, with reference to (1) our revenue for the year ended December 31, 2022, being RMB472.2 million, which is over HK$500 million as required by Rule 8.05(3) of the Listing Rules; and (2) our expected **[REDACTED]** at the time of the **[REDACTED]**, which, based on the low end of the **[REDACTED]**, exceeds HK$4 billion as required by Rule 8.05(3) of the Listing Rules.

**COVID-19 PANDEMIC AND EFFECTS ON OUR BUSINESS**

Our business and results of operations depend on our ability to effectively deal with outbreak of health pandemics, natural disasters and other calamities. The occurrence of such a disaster or prolonged outbreak of contagious diseases or other adverse public health developments in China or elsewhere could materially disrupt our business and operations. For example, during the Track Record Period, the COVID-19 pandemic resulted in temporary closures of many corporate offices, healthcare institutions, manufacturing facilities and factories. For instance, we experienced a decrease in the number of outpatient visits for our Shanghai Outpatient Center and Shanghai Imaging Center from approximately 18.2 thousands and 14.7 thousands in 2021, respectively, to 13.9 thousands and 8.5 thousands in 2022, respectively, primarily due to the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai.

Our Directors have carried out a holistic review of the impact of the COVID-19 pandemic on our operations and confirmed that as of the Latest Practicable Date, COVID-19 pandemic did not bring permanent interruption to our operations. As the situation eased, we have experienced an increase in the demand for our sales and installing of medical equipment and software and other services, and a recovery in the demand for the oncology healthcare service in our medical institutions. For instance, the numbers of outpatient visits and inpatient visits for our medical institutions increased from 25,189 and 1,282 in the six months ended June 30, 2022 to 41,810 and 1,757 in the same period of 2023, respectively. Such numbers further reached 68,437 and 3,085 in the ten months ended October 31, 2023, respectively. Furthermore, although our hospital business was adversely impacted by the COVID-19 pandemic, such pandemic has boosted the market demand for remote medical service, which could have a positive effect on our medical equipment, software and related services which has generally resumed growth upon ease of the outbreak. In particular, local governments have increased their financial support for and investment in the medical equipment and software in public hospitals in response to the shortened medical supply during the pandemic, creating more demands for our sales and installing of medical equipment and software. In the backdrop of the COVID-19 pandemic, we also launched our cloud platforms and Internet Hospital to offer various digital medical services to our enterprise customers and individual patients.

We are closely monitoring health pandemics, natural disasters and extraordinary events, and continuously evaluating any potential impact on our business, results of operations and financial condition. See "Financial Information—COVID-19 Pandemic and Effects on Our Business" for the impact of COVID-19 outbreak on our business and "Risk Factors—Risks Relating to Our Business and Industry—Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, such as the COVID-19 pandemic, could prevent our medical institutions from effectively serving their patients and thus adversely affect our results of operations" for the associated risks and challenges.

## RECENT DEVELOPMENT

We incurred net losses during the Track Record Period, as we have been focusing on constructing and establishing our medical institutions and growing our business, and large initial investments is mandatory for hospital industry due to its heavy-asset nature. Our management considers that we are at a relatively early stage of our monetization efforts for our medical institutions during the ramp-up stage. Thus, despite our expanding business scale, we may continue to incur net losses in the foreseeable future as described above. We expect to incur net loss for 2023 and 2024, and net operating cash outflow in 2023. As our redeemable capital contribution has been transferred from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments, we recorded nil redeemable capital contribution as of June 30, 2023, and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. As a result, we expect to greatly improve our net loss position, as the interest charge on redeemable capital contribution had significant negative impact on our profitability during the Track Record Period.

In the ten months ended October 31, 2023, our Guangzhou Hospital, Guangzhou Outpatient Center, Shanghai Outpatient Center, Shanghai Imaging Center, Shanghai GP Clinic and Datong Hospital recorded (1) number of outpatient visits of 19.8 thousands, 3.5 thousands, 16.0 thousands, 14.5 thousands, 8.0 thousands and 5.9 thousands, respectively, and (2) average spending per outpatient visit of RMB2,328.9, RMB851.9, RMB4,643.6, RMB3,659.2, RMB200.6 and RMB980.7, respectively. In the ten months ended October 31, 2023, our Guangzhou Hospital and Datong Hospital also recorded (1) number of inpatient visits of 2.9 thousands and 0.2 thousands, respectively, (2) average spending per inpatient visit of RMB26,485.7 and RMB5,481.7, respectively, and (3) occupancy rate of registered beds of 40.2% and 4.9%, respectively.

As of the date of this document, we had entered into a joint venture agreement with CSPC NBP Pharmaceutical Co., Ltd., one of our Shareholders, and had jointly established a joint venture for the purpose of building an oncology specialty hospital in Shijiazhuang, Hebei province. We expect to further improve our brand recognition in oncology healthcare in the North China region through such cooperation.

### Recent Regulatory Developments

#### *Medical Devices*

On March 3, 2023, the NHC promulgated the Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2023) (關於發佈大型醫用設備配置許可管理目錄(2023年)的通知) (the "Large-scale Medical Equipment Catalogue"), which stipulates the Category A and Category B of large-scale medical equipment. Pursuant to such catalog, proton therapy equipment is classified as "heavy ion and proton radiotherapy system", which is categorized into Category A of large-scale medical equipment.

On June 21, 2023, the NHC promulgated the Notice of the Issuance of the "14th Five-Year Plan" Large-scale Medical Equipment Configuration Plan (關於發佈"十四五"大型醫用設備配置規劃的通知) (the "Large-scale Medical Equipment Configuration Plan"), which stipulates the number of large-scale medical equipment planned nationwide during the "14th Five-Year Plan" period. Pursuant to such plan, Guangdong province has planned quotas to configure heavy ion and proton radiotherapy systems during the "14th Five-Year Plan" period.

On September 28, 2023, the NHC promulgated the Notice on completing the application for the License for Deployment of Category A Large-scale Medical Equipment in 2023 (關於做好2023年甲類大型醫用 設備配置許

可申報工作的通知) (the "2023 Declaration Notice"), which stipulates the application arrangement of the License for Deployment of Category A Large-scale Medical Equipment in 2023. Pursuant to such notice, the application for the License for Deployment of Category A Large-scale Medical Equipment in 2023 is opened from October 7, 2023 to December 5, 2023.

Our Guangzhou Hospital has procured one customized set of proton therapy equipment and commenced the clinical trial for the proton therapy equipment. We have submitted the application for the License for the Deployment of Large-scale Medical Equipment for the proton therapy equipment on November 24, 2023. Based on the timeframe of the NHC for the approval of previous similar deployment license, we expect to obtain the license in early 2024 and start operation of the proton center of Guangzhou Hospital in March 2024. Guangzhou Hospital has met the admission standards and evaluation criteria for the License for the Deployment of Large-scale Medical Equipment for the proton therapy equipment under the relevant laws and regulations when applying for the license. Based on the above and the relevant laws and regulations as well as our material and confirmation, as advised by our PRC Legal Advisor, there is no material legal impediment for Guangzhou Hospital to meet the application conditions to obtain the License for the Deployment of Large-scale Medical Equipment for the proton therapy equipment, and as of the Latest Practicable Date, the Large-scale Medical Equipment Catalogue, the Large-scale Medical Equipment Configuration Plan and the 2023 Declaration Notice would not have a material adverse impact on our business operations and financial results.

***Cybersecurity***

On August 8, 2022, the NHC, National Administration of Traditional Chinese Medicine, and National Bureau of Disease Control and Prevention jointly promulgated the Administrative Measures for the Cybersecurity of Medical and Healthcare Institution (醫療衛生機構網絡安全管理辦法) with immediate effect. The Administrative Measures for the Cybersecurity of Medical and Healthcare Institutions require full life-cycle management of cyber security and data security, including but not limited to strengthening system construction, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

Our medical institutions have established sound personal information and data security management system and have performed the data security protection obligations. We will also monitor the changes in laws and regulations and keep communication with competent departments to ensure that our medical institutions could meet the requirements of the Administrative Measures for the Cybersecurity of Medical and Healthcare Institutions.

The Administrative Measures for the Cybersecurity of Medical and Healthcare Institutions is formulated in accordance with the Basic Medical Care and Health Promotion Law, the Cybersecurity Law, the Cryptography Law, the Data Security Law, the Personal Information Protection Law, the Regulations on the Security Protection of Critical Information Infrastructure, the Cybersecurity Review Measures, the cybersecurity graded protection system and other relevant laws and regulations and standards, and we have formulated a comprehensive management system to ensure that we are in compliance with such laws and regulations. Based on the above and with the advice of our PRC Legal Advisor, as of the Latest Practicable Date, we were in compliance with the Administrative Measures for the Cybersecurity of Medical and Healthcare Institution in all material aspects, and the Administrative Measures for the Cybersecurity of Medical and Healthcare Institution would have no material and significant adverse impact on our business operations and financial results. Even though, as these measures are promulgated recently and the laws and regulations in the data security, cybersecurity and privacy protection are still evolving, we can not assure you that we can always in compliance with all the aspects of regarded laws and regulations including this measure.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since June 30, 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

*In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in 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" | the Accounting and Financial Reporting Council of Hong Kong |
| "Articles" or "Articles of Association" | the articles of association of our Company, as amended, which shall become effective on the **[REDACTED]**, a summary of which is set out in Appendix IV to this document |
| "Audit Committee" | the audit committee of the Board |
| "Beijing Concord" | Beijing Concord Medical Technology Co., Ltd. (北京泰和誠醫療技術有限公司), a limited liability company established in the PRC on January 4, 2016 |
| "Beijing Healthingkon" | Beijing Healthingkon Technology Co., Ltd. (北京和信康科技有限公司), a limited liability company established in the PRC on August 25, 2015, which is controlled by our Company as to approximately 63.69% |
| "Board" or "Board of Directors" | the board of Directors of our Company |
| "business day" | a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |
| "CAGR" | compound annual growth rate |

**[REDACTED]**

| | |
|---|---|
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "CCM Group" | Concord Medical and its subsidiaries after completion of the **[REDACTED]** excluding our Group |
| "CCM Shareholder Group" | Dr. Yang and the entities controlled by him directly or indirectly for holding interests in the Company, including Morgancreek Investment Holdings Limited, Concord Medical, Ascendium Group Limited, Shanghai Huifu Technology Development Co., Ltd., Concord Hospital Management Group Limited, Shanghai Medstar, Beijing Concord, Tianjin Concord and Shanghai Xinhe |
| "Concord Medical" | Concord Medical Services Holdings Limited, a company incorporated in the Cayman Islands on November 27, 2007 and listed on the New York Stock Exchange (symbol: CCM) since December 11, 2009 |
| "China" or "PRC" | the People's Republic of China excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

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|---|---|
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "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" | Concord Healthcare Group Co., Ltd. (美中嘉和醫學技術發展集團股份有限公司), a joint stock company incorporated in the PRC with limited liability on July 23, 2008, or, where the context requires, its predecessors (as the case may be) |
| "Company Law" or "PRC Company Law" | the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time |
| "Controlling Shareholders" | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Dr. Yang, Morgancreek Investment Holdings Limited, Concord Medical, Ascendium Group Limited, Shanghai Huifu Technology Development Co., Ltd., Concord Hospital Management Group Limited, Shanghai Medstar, Beijing Concord, Tianjin Concord and Shanghai Xinhe |
| "CSDCC" | China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司) |
| "CSRC" | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| "Datong Clinic" | Datong Meizhong Jiahe Traditional Chinese Medicine Center Co., Ltd. (大同美中嘉和中醫診所有限公司), a limited liability company established in the PRC on September 14, 2020 and an indirectly wholly-owned subsidiary of our Company, which operates under the trade name of Datong Meizhong Jiahe Traditional Chinese Medical Clinic (大同美中嘉和中醫診所), and completed its deregistration in March 2023 |
| "Datong Hospital" | Datong Meizhong Jiahe Cancer Center Co., Ltd. (大同美中嘉和腫瘤醫院有限責任公司), a limited liability company established in the PRC on October 23, 2014 and an indirectly wholly-owned subsidiary of our Company, which operates under the trade name of Datong Meizhong Jiahe Cancer Hospital (大同美中嘉和腫瘤醫院) |
| "Director(s)" | the director(s) of our Company |
| "Domestic Share(s)" | ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are not listed on the Stock Exchange |
| "Dr. Yang" | Dr. YANG Jianyu (楊建宇), our chairman of the Board, executive Director and one of the Controlling Shareholders |
| "EIT Law" | Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time |
| "Extreme Conditions" | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |
| "F&S Report" | a commissioned industry report prepared by Frost & Sullivan |

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|---|---|
| "Filing Measures" | the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (關於境內企業境外發行上市備案管理安排的通知), promulgated by the CSRC on February 17, 2023 |
| "Frost & Sullivan" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis |

**[REDACTED]**

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|---|---|
| "Greater Bay Area" | also known as Guangdong-Hong Kong-Macau Greater Bay Area, a megalopolis generally comprising nine cities in Guangdong province and two special administrative regions in South China |
| "Group," "our Group," "the Group," "we" or "us" | the Company and its subsidiaries from time to time 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 |
| "Guangzhou Hospital" | Guangzhou Concord Cancer Center Co., Ltd. (廣州泰和腫瘤醫院有限公司), a limited liability company established in the PRC on June 29, 2011, which is owned as to 80% by our Company and operates under the trade name of Guangzhou Concord Cancer Hospital (廣州泰和腫瘤醫院) |
| "Guangzhou Outpatient Center" | Guangzhou Concord Medical Center Co., Ltd. (廣州泰和醫療門診部有限公司), a limited liability company established in the PRC on July 18, 2016, which is wholly owned by Guangzhou Concord Hospital Management Co., Ltd. (廣州泰和醫院管理有限公司), which is in turn owned as to 70% by our Company and operates under the trade name of Guangzhou Concord Medical Outpatient Center (廣州泰和醫療門診部) |
| "H Share(s)" | ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be **[REDACTED]** for and traded in HK dollars and to be **[REDACTED]** on the Stock Exchange |

**[REDACTED]**

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|---|---|
| "HKFRSs" | Hong Kong Financial Reporting Standards |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |

**[REDACTED]**

**[REDACTED]**

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|---|---|
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Hong Kong dollars" or "HK dollars" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |

**[REDACTED]**

| | |
|---|---|
| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

**[REDACTED]**

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|---|---|
| "Independent Third Party(ies)" | any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules |

**[REDACTED]**

**[REDACTED]**

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|---|---|
| "Internet Hospital" | Yinchuan Meizhong Jiahe Internet Hospital Co., Ltd. (銀川美中嘉和互聯網醫院有限公司), a limited liability company established in the PRC on November 18, 2020 and an indirectly wholly-owned subsidiary of our Company |

**[REDACTED]**

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| "Joint Sponsors" | China International Capital Corporation Hong Kong Securities Limited and Haitong International Capital Limited |
| "Latest Practicable Date" | November 26, 2023, being the latest practicable date for ascertaining certain information in this document before its publication |

**[REDACTED]**

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|---|---|
| "Listing Rules" or "Hong Kong Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange |
| "MIIT" | the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| "NDRC" | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| "NEEQ" | the National Equities Exchange and Quotations, a national securities trading market in the PRC for trading the shares of public companies that are not listed on either the Shenzhen Stock Exchange or the Shanghai Stock Exchange |
| "NHC" | the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) |
| "NMPA" | the National Medical Products Administration of the PRC (中華人民共和國國家藥品監督管理局) |

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|---|---|
| "North China" | a geographical region of China, consisting of the provinces of Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia |

**[REDACTED]**

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|---|---|
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "PRC Legal Advisor" | Commerce & Finance Law Offices, being the legal advisor to the Company as to the PRC laws |

**[REDACTED]**

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|---|---|
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "SAMR" | 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) |
| "SAT" | the State Administration of Taxation (國家稅務總局) |
| "SCNPC" | Standing Committee of the National People's Congress, the permanent body of the National People's Congress of the PRC |
| "SFC" | the Securities and Futures Commission of Hong Kong |

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|---|---|
| "Securities and Futures Ordinance" or "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 GP Clinic" | Shanghai Meizhong Jiahe General Practice Center Co., Ltd. (上海美中嘉和雲影全科診所有限公司), a limited liability company established in the PRC on November 2, 2020 and an indirectly wholly-owned subsidiary of our Company, which operates under the trade name of Shanghai Meizhong Jiahe Yunying General Practice Clinic (上海美中嘉和雲影全科診所) |
| "Shanghai Hospital" | Shanghai Concord Medical Cancer Hospital Limited (上海泰和誠腫瘤醫院有限公司), a limited liability company established in the PRC on March 17, 2014, which is owned as to 99.5% by our Company and is expected to operate under the trade name of Shanghai Concord Medical Cancer Hospital (上海泰和誠腫瘤醫院) |
| "Shanghai Imaging Center" | Shanghai Concord Medical Diagnostic Imaging Limited (上海美中嘉和醫學影像診斷有限公司), a limited liability company established in the PRC on January 15, 2018, which is controlled by our Company as to 99.14% and operates under the trade name of Shanghai Concord Medical Imaging Diagnostic Center (上海美中嘉和醫學影像診斷中心) |
| "Shanghai Medstar" | Shanghai Medstar Financial Leasing Company Limited (醫學之星（上海）融資租賃有限公司), a limited liability company established in the PRC on March 21, 2003, one of the Controlling Shareholders |
| "Shanghai Outpatient Center" | Shanghai Concord Medical Cancer Center Co., Ltd. (上海美中嘉和腫瘤門診部有限責任公司), a limited liability company established in the PRC on November 2, 2006, which is owned as to 86.4414% by our Company and operates under the trade name of Shanghai Concord Medical Cancer Outpatient Center (上海美中嘉和腫瘤門診部) |
| "Shanghai Xinhe" | Shanghai Xinhe Enterprise Management Center (Limited Partnership) (上海信荷企業管理中心（有限合夥）), a limited partnership established in the PRC on April 6, 2021, one of the Controlling Shareholders |
| "Share(s)" | ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares |
| "Shareholder(s)" | holder(s) of our Share(s) |
| "Shenzhen Aohua" | Shenzhen Aohua Medical Technology Development Co., Ltd. (深圳傲華醫療科技發展有限公司), a limited liability company established in the PRC on February 21, 2008, a wholly-owned subsidiary of our Company |

**[REDACTED]**

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|---|---|
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "subsidiary(ies)" | has the meaning ascribed thereto under the Listing Rules |
| "Supervisor(s)" | the supervisor(s) of our Company |
| "Takeovers Code" | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |

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|---|---|
| "Tianjin Concord" | Tianjin Concord Medical Technology Co., Ltd. (天津泰和誠醫療技術有限公司) (formerly known as Tianjin Kangmeng Tumor Radiotherapy Equipment Management Co., Ltd. (天津康盟腫瘤放療設備管理有限公司)), a limited liability company established in the PRC on November 16, 2007 and one of our Controlling Shareholders |
| "Track Record Period" | the period consisting of the three years ended December 31, 2022 and the six months ended June 30, 2023 |
| "Trial Measures" | the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法), promulgated by the CSRC on February 17, 2023 |

**[REDACTED]**

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|---|---|
| "United States" or the "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "U.S. persons" | U.S. persons as defined in Regulation S |
| "U.S. Securities Act" | United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |
| "US$" or "US dollars" | United States dollars, the lawful currency of the United States |

**[REDACTED]**

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|---|---|
| "Yangtze River Delta" | a triangle-shaped megalopolis generally comprising the Wu Chinese-speaking areas of Shanghai, southern Jiangsu and northern Zhejiang |
| "%" | per cent |

*In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or entities have been included in this document in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.*

# GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.*

| | |
|---|---|
| "AI" | artificial intelligence, the science of researching and developing theories, methods, technologies, and application system that simulate and extend human intelligence |
| "big data" | large, diverse sets of information that grow at ever-increasing rates, which encompasses the volume of information, the velocity or speed at which it is created and collected, and the variety or scope of the data points being covered |
| "biopsy" | a procedure that involves extraction of sample cells or tissues for examination to determine the presence or extent of a disease |
| "body gamma knife system" | a radiation therapy that uses stereotactic technique to focus the planned gamma rays on the irradiated lesion, which can deliver a higher dose to the tumor and protect the surrounding normal tissues |
| "brachytherapy" | a form of radiation therapy where a sealed radiation source is placed inside or next to the area requiring treatment |
| "breast-conserving surgery" | an operation that aims to remove breast cancer while avoiding a mastectomy, which provides tumor removal while maintaining an acceptable cosmetic outcome |
| "B2B2C" | business to business to consumer, a business model that combines business to business and business to consumer for a complete product or service transaction |
| "CAGR" | compound annual growth rate |
| "Class II hospital" | regional hospitals designated as Class II hospitals by the hospital classification system of the National Health and Family Planning Commission (currently known as the NHC), typically providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions |
| "Class III hospital" | largest regional hospitals with the highest standard in China designated as Class III hospitals by the hospital classification system of the National Health and Family Planning Commission (currently known as the NHC), typically providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives |
| "chemotherapy" | a treatment that uses drugs to inhibit the growth of cancer cells, either by killing the cells or by stopping them from dividing. Chemotherapy may be given by mouth, injection, or infusion, or on the skin, depending on the type and stage of the cancer being treated. It may be given alone or with other treatments, such as surgery, radiation therapy, or biologic therapy |
| "CT" | computerized tomography, a type of scan that makes use of computer-processed combinations of many X-ray images taken from different angles to produce cross- sectional tomographic images of specific areas of a scanned object, which can be used for the examination of multiple diseases |

| | |
|---|---|
| "diagnostic imaging" | technique and process of imaging the interior of a body for clinical analysis and medical intervention, as well as visual representation of the function of some organs or tissues |
| "DIEP" | deep inferior epigastric perforators, a type of breast reconstruction in which blood vessels, as well as the skin and fat connected to them, are removed from the lower abdomen and transferred to the chest to reconstruct a breast after mastectomy without the sacrifice of any of the abdominal muscles |
| "endoscopy" | a procedure that uses an endoscope, which is inserted directly into the organ or orifices, to examine the interior of a hollow organ or cavity of the body |
| "GFA" | gross floor area, the total property square footage, as measured between the exterior walls of the buildings |
| "head gamma knife system" | a radiation therapy that uses computerized treatment planning software to help physicians locate and irradiate small targets within the head and brain with very high precision |
| "HIS" | hospital information system, which is an integrated solution designed to manage all the hospital's operations including medical operations, clinical workflow, financial, administrative, human resources, documents, legal and inventory |
| "IGRT" | image-guided radiation therapy, which is a process of real-time imagining, during a course of radiation treatment, used to direct the treatment, position the patient, and compare to the pre-therapy imaging from the treatment plan |
| "IMRT" | intensity-modulated radiation therapy, which is a multi-beam radiotherapy technique to achieve conformal radiotherapy and dose intensity modulation in the irradiation field |
| "inpatient visit" | a patient visit during which the patient receives healthcare services at one of our medical institutions and is hospitalized overnight |
| "large-scale medical equipment" | medical equipment that adopts complex technology, requires large capital investment with high operation costs and significant impact on medical expenses, and is included in the Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2023) (關於發佈大型醫用設備配置許可管理目錄(2023年)的通知) |
| "linear accelerator" | a type of accelerator that accelerates charged subatomic particles or ions to high speed by subjecting them to a series of oscillating electric potentials along a linear beamline |
| "MDT" | multidisciplinary team, which brings together a group of healthcare professionals from different fields involved in cancer care with the overarching goal of optimizing patient care and treatment efficacy |
| "Medical Insurance Designated Medical Institutions" | medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs |

| | |
|---|---|
| "MRI" or "MR" | magnetic resonance imaging, a type of scan that uses strong magnetic fields and radio waves to produce detailed images of the inside of the body |
| "multi-site practice physician" | licensed physicians who are qualified and permitted to practice at multiple sites in China |
| "NPC" | nasopharyngeal cancer, a rare type of cancer that affects the part of the throat connecting the back of the nose to the back of the mouth of human being |
| "oncology" | a branch of medicine that deals with the prevention, diagnosis, and treatment of cancer |
| "outpatient visit" | one instance of outpatient registration at one of our medical institutions, which is not hospitalized overnight |
| "particle therapy" | a form of external beam radiation therapy using beams of energetic neutrons, protons, or other heavier positive ions for cancer treatment |
| "PET-CT" or "PET/CT" | positron emission tomography-computed tomography, a nuclear medical technology which combines, in a single gantry, a positron emission tomography scanner and an X-ray computed tomography scanner, to acquire sequential images from both devices in the same session and combine such images into a single superposed (co-registered) image, enabling the more precise alignment or correlation between the functional imaging obtained by positron emission tomography scanning and the anatomic imaging obtained by computed tomography scanning |
| "public medical insurance program" | primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度) and the Basic Medical Insurance Scheme for Urban and Rural Residents (城鄉居民基本醫療保險制度) (the combination of the formerly Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the formerly New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)) |
| "precision radiation therapy" | a radiation therapy that is designed to deliver high doses of radiation to tumors with high precision while sparing normal tissues, which significantly improves the efficacy of radiation therapy treatment while limiting side effects and risks |
| "proton therapy" | a type of particle therapy that uses a beam of protons to irradiate diseased tissue, most often to treat cancer |
| "radiologist" | a healthcare professional who assists in the treatment of cancer by administering radiation to a specific area of a patient's body |
| "radiation therapy" | a treatment that uses high-energy radiation from x-rays, gamma rays, neutrons, protons, and other sources to kill cancer cells and shrink tumors. Radiation may come from a machine outside the body (external-beam radiation therapy), or it may come from radioactive material placed in the body near cancer cells (internal radiation therapy or brachytherapy). Systemic radiation therapy uses a radioactive substance, such as a radiolabeled monoclonal antibody, that travels in the blood to tissues throughout the body |
| "registered beds" | number of beds that are registered in a medical institution's practicing license |

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|---|---|
| "SaaS" | software as a service, a cloud-based software licensing model in which access to the software is provided on a subscription basis, and the cloud provider develops and maintains cloud application software, provides automatic software updates |
| "SBRT" | stereotactic body radiation therapy, namely, a specialized type of external beam radiation treatment that allows highly precise delivery of high doses of radiation to small targets |
| "specialty hospital" | a hospital that primarily or exclusively provides healthcare services on specific departments |
| "SRS" | stereotactic radiosurgery, namely, a high-dose radiotherapy method that uses a three-dimensional coordinate system to locate small targets inside the body and gives single or few times to precisely defined tumor targets |
| "SRT" | stereotactic radiation therapy, namely, a type of external beam radiotherapy that uses special equipment to stereoscopically position the lesion and precisely deliver high doses of radiation to the tumor through short course of treatment |
| "VMAT" | volumetric-modulated arc therapy, namely, a type of intensity modulated radiotherapy technique that rotates around the patient during a radiation therapy beam in an arc shape |

# FORWARD-LOOKING STATEMENTS

*We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.*

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "intend," "plan," "continue," "seek," "estimate" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the actions of and developments affecting our major customers and suppliers; and
- certain statements in the sections headed "Risk Factors," "Industry Overview," "Regulatory Overview," "Business," "Financial Information," "Relationship with Our Controlling Shareholders" and "Future Plans and **[REDACTED]**" with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

*Potential investors should read and consider carefully all the information set out in this document, and, in particular, should evaluate the following risks and uncertainties before deciding to make any* **[REDACTED]** *in our* **[REDACTED]**. *Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the* **[REDACTED]** *of our* **[REDACTED]**, *and could cause you to lose all or part of your* **[REDACTED]**. *The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.*

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized into (1) risks relating to our business and industry, (2) risks relating to conducting business in the region where we operate, and (3) risks relating to the **[REDACTED]**.

## RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**We have incurred net loss, net cash used in operating activities, net current liabilities and total deficit in the past, and we may not be able to achieve or maintain profitability.**

We recorded net loss of RMB591.3 million, RMB831.1 million, RMB637.2 million, RMB415.1 million and RMB214.3 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. In addition, we had net cash used in operating activities of RMB93.6 million and RMB130.8 million in 2022 and the six months ended June 30, 2023, respectively. Substantially all of our net losses and net cash used in operating activities have resulted from costs and expenditures incurred in connection with our construction of new medical institutions. In addition, we have spent considerable amounts of time and financial resources for developing our sales and installing of medical equipment and software, and launching new cloud platform initiatives, in order to position us favorably for future growth. Our efforts to grow our business may be more costly than we expect. If we fail to achieve the benefits anticipated from these efforts, or if the realization of benefits is delayed, our investments may not result in increased revenue sufficient to offset our increased costs and expenses. We may also experience slower or even negative growth in the future. If we are unable to address these risks and challenges, our business, results of operations and financial condition could be materially and adversely affected. We also recorded certain non-recurring items of other income and other net gains during the Track Record Period. In 2022, we recorded one-off compensation income of RMB50.0 million as damages received for the proton equipment in relation to an arbitration proceeding of Beijing Century Friendship. In 2021, we recognized gain on disposal of a subsidiary of the RMB30.0 million resulting from the disposal of our equity interest in Beijing Century Friendship. The discontinuation of these nonrecurring items could adversely affect our results of operations and financial condition. See Note 7 to the Accountants' Report in Appendix I to this document.

In addition, we recorded net current liabilities of RMB2,605.1 million and RMB3,433.9 million as of December 31, 2020 and 2021, respectively, primarily attributable to our redeemable capital contribution. We had total deficit of RMB517.9 million and RMB1,157.0 million as of December 31, 2020 and 2021, respectively, primarily attributable to redeemable capital contribution and bank and other borrowings. See "—Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions." If we have significant net current liabilities and total deficit for an extended period of time, our working capital for purposes of our operations may be subject to constraints, which may materially and adversely affect our business, results of operations and financial condition.

**Our development and ramp-up schedule of new medical institutions could result in fluctuations in our short-term financial performance, and newly opened medical institutions may not achieve timely profitability, or at all.**

Our results of operations have been, and may continue to be, influenced by the openings of new medical institutions. New medical institutions generally have lower income and higher operating costs during the initial stages of their operations. We also incur substantial expenses before opening new medical institutions, such as labor costs, construction expenditures, renovation costs, rental expenses, equipment costs, compliance costs and other upfront costs. It generally takes years for a new cancer hospital to achieve monthly breakeven and much longer to recoup the initial investment. Specifically, private hospitals in China's oncology healthcare institution industry generally have an average of three to five years to achieve monthly breakeven and five to seven years of payback period without considering the COVID-19 impact, and generally with one more year after considering COVID-19 impact, according to the F&S Report. Our Datong Hospital has had a prolonged ramp-up period compared to the industry average, primarily due to the impact of COVID-19 outbreak and the limited public medical insurance payment capability in Datong city. See "Key Components of Our Results of Operations—Gross Profit/(Loss) and Gross Margin—Gross Loss of Hospital Business." Our other medical institutions are still undergoing the ramp-up stage. Accordingly, the timing of new hospital openings has, and may continue to have, a significant impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period, which renders the period-to-period comparisons of our results of operations during the Track Record Period to be not meaningful in predicting our future performance.

Moreover, we may not be successful in recruiting qualified medical professionals to effectively provide the services that we intend to offer in our new medical institutions. It also takes time for newly opened medical institutions to achieve a utilization rate comparable to the existing ones, due to factors such as the lead time needed to build patient awareness in the local community and integrate the operations of such hospital into our existing infrastructure. In addition, the opening of new medical institutions involves regulatory approvals and reviews by various authorities in China, including health authorities. We may not be able to obtain all the required approvals, permits, licenses or certificates in a timely manner or at all. Therefore, we may not be able to immediately utilize or derive revenue from new medical institutions as anticipated. In addition, the results of operations generated from newly opened medical institutions may not be comparable to the results of operations generated from any of the existing ones. The newly opened medical institutions may even operate at a loss, which could adversely affect our results of operations.

**We conduct our business in a strictly regulated industry and are subject to on-going compliance costs.**

The operations of our self-owned medical institutions are subject to various laws and regulations at the national and local levels. These laws and regulations mainly relate to (1) management and classification of medical institutions, (2) licensing of medical professionals, (3) procurement and usage of pharmaceuticals, medical consumables and medical equipment, (4) quality and pricing of medical services, (5) discharge and disposal of pollutants and medical, radioactive and other hazardous waste, (6) anti-corruption and anti-bribery, and (7) maintenance and security of patient medical records. See "Regulatory Overview—Regulations on the Reform of Medical Institutions" and "Regulatory Overview—Regulations on the Classification and the Administration of Medical Institutions." In addition, our medical institutions are subject to periodic license or permit renewal requirements and inspections by various government authorities at the provincial and municipal levels. We are also exposed to potential legal liabilities in the course of our operations arising from medical incident related claims.

New laws and regulations applicable to our operations may be introduced in the future, and the current applicable ones may otherwise be amended or replaced to implement additional supervision and management requirements. In addition, the laws and regulations may also be subject to further interpretation and enforcement and are evolving. Further amendments and changes or further interpretation and enforcement of laws and regulations could require us to obtain additional licenses, permits or approvals, broaden the scope of medical incident related liability, increase our operating costs and expenses, or even result in the invalidation of our existing licenses. If we fail to obtain, maintain or renew any licenses, permits or approvals required for our operations, such as Medical Institution Practicing License (醫療機構執業許可證), License for the Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證) and License for Radiation Therapy (放射診療許可證), or are found to be non-compliant with any of the applicable rules, laws, or regulations, we may face penalties, including suspension of operations and even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, results of operations and financial condition.

**Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions.**

We have historically used short-term and long-term borrowings to fund our business operations and capital expenditures. As of June 30, 2023, we had total bank and other borrowings of RMB2,417.9 million. See "Financial Information—Indebtedness" and Note 27 to the Accountants' Report in Appendix I to this document. As of June 30, 2023, approximately 14.2%, or RMB342.2 million, of our bank and other borrowings were due within one year. We may also from time to time in the future issue corporate bonds, senior notes or look for other debt financing opportunities to refinance our existing loans or to support our business expansion.

To secure our bank and other borrowings, we may grant security interests from time to time. Certain bank and other borrowings were secured by certain construction in progress with a carrying amount of RMB1,828.6 million, right-of-use asset with a carrying amount of RMB391.3 million, medical equipment with a carrying amount of RMB161.2 million and trade receivables of RMB13.4 million as of June 30, 2023. In particular, certain bank borrowings are secured by the construction project related to Guangzhou Hospital, or the land use right and construction project on such land related to Shanghai Hospital. Moreover, certain bank borrowings are secured by the issued share capital of our subsidiaries, including Guangzhou Hospital, Shanghai Hospital and Shanghai Imaging Center. Certain bank borrowings are secured by the revenue of Shanghai Imaging Center and Shanghai Outpatient Center. In addition, certain of our bank borrowings are secured by certain of our patents. We had also historically granted security interests over other assets, such as trade receivables. See "Financial Information—Indebtedness—Bank and Other Borrowings—Security and Guarantees." We may grant additional security interests over our assets in the future. Any failure to satisfy our obligations under these borrowings could lead to foreclosure of the assets that secure these borrowings, suspension of operation of relevant medical institutions in which such medical equipment is used, delay or interruption of relevant hospital construction projects, or otherwise damage our reputation in the healthcare community and our relationship with our enterprise customers, all of which could materially and adversely affect our business, results of operations and financial condition.

In addition, due to the substantial amounts of these borrowings, we are exposed to interest rate risk resulting from interest rate fluctuations. The effective interest rates of our bank borrowings ranged from 4.20% to 5.88%, 4.20% to 6.45%, 4.2% to 6.45% and 3.8% to 6.2% per annum for 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. The effective rates of our other borrowings ranged from 10.13% to 14.35%, 7.5% to 10.1%, 6.7% to 10.1% and 6.7% to 10.1% per annum for 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. Escalation of prevailing interest rates could substantially increase our finance costs, which could materially and adversely affect our business, results of operations and financial condition.

We are subject to certain restrictive covenants under the terms of our bank borrowings, which are commonly found in loan arrangements with financial institutions in China, and may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds and pledged assets related to the borrowings and our ability to incur additional debt or make guarantees, engage in change-in-control transactions, make long-term investments, incur liens to third parties, pay dividends or distributions on our capital stock, transfer indebtedness, sell, transfer or otherwise dispose of assets related to the borrowings, and reduce our working capital. Furthermore, some of our bank borrowings are subject to the fulfillment of covenants relating to certain of our financial ratios, as are commonly found in loan arrangements with financial institutions. If we were to breach the covenants, we cannot assure you that we would be able to obtain a waiver in a timely manner, on acceptable terms or at all. As a result, we would be in default of such loans, and the relevant counterparty could elect to declare the loans, together with accrued and unpaid interest and other fees, if any, immediately due and payable and proceed against any collaterals or pledged assets securing such loans. If the loans were to be accelerated, our business and liquidity could nevertheless be subject to adverse effects. In addition, such waiver, even if granted, may lead to increased costs, increased interest rates, additional restrictive covenants and other protections available to the counterparties under these loans, including the granting of additional security interests in collaterals or pledged assets, which could adversely affect our business, results of operations, financial condition, and our ability to acquire additional capital resources.

Our ability to meet our debt obligations largely depends on our operating performance. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. If we encounter difficulties in generating sufficient cash to repay our outstanding indebtedness, our liquidity, business, results of operations and financial condition may be materially and adversely affected, and we may not be able to expand our business. We may be forced to sell assets, issue additional capital, reduce or delay capital expenditures, strategic acquisitions and investments, or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures, could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. We may face substantial financial and operational risks if our business environment or the relevant interest or exchange rates change, or if our cash flows and capital resources are insufficient to fund our indebtedness service obligations. Failure to service our indebtedness could result in the imposition of penalties, including increases in interest rates that we pay on our indebtedness and legal actions against us by our creditors, or even bankruptcy. In addition, due to our level of borrowings, our ability to respond to changing market conditions may be limited and our business expansion plans through acquisitions may be impeded. This would also increase our vulnerability to adverse economic and industry conditions and place us at a disadvantage compared to competitors who have lower levels of indebtedness.

**We are carrying out a number of large-scale hospital construction projects which require substantial operational, financial and other resources. The construction projects may also be delayed or affected as a result of various factors, many of which are beyond our control.**

As of the Latest Practicable Date, we had one cancer hospital under construction and one cancer hospital planned for expansion in China. In particular, our Shanghai Hospital is under construction and is scheduled to open in January 2026. We also plan to commence the construction of the phase II expansion to Guangzhou Hospital in 2026. See "Business—Our Future Expansion." To attract patients, we plan to continue to train medical professionals and other personnel for our medical institutions, and install advanced equipment and facilities, such as gamma knife systems, proton therapy systems and PET-CT scanners. The planning, design and construction of medical institutions require significant time commitments from our management and other personnel, as well as substantial operational, financial and other resources. In addition, the installment, adjustment and clinical trial processes for proton therapy systems can be lengthy, and we may fail to obtain relevant regulatory approvals for numerous reasons, many of which are beyond our control. If we fail to manage our hospital construction projects effectively, our operating and financial results will be adversely affected.

Furthermore, we may experience significant delays or be unable to successfully consummate our hospital construction projects as a result of various factors, many of which are beyond our control, which would materially harm our business. For instance, the impact of COVID-19 pandemic on the Chinese and global economies in 2020, 2021 and 2022 is severe and may persist in the future. The construction projects may be delayed due to the postponement of construction activities caused by the COVID-19 pandemic, which could adversely affect our business, results of operations and financial condition.

For instance, we obtained the land use right for Shanghai Hospital in July 2015 and commenced its construction in September 2017. Pursuant to the state-owned construction land use right assignment agreement we entered into with the Planning and Natural Resources Bureau of Minhang District, Shanghai (the "Shanghai Bureau") in July 2015, which was amended in August 2016 and September 2020, respectively, if we fail to complete the construction project by September 22, 2021, we are obliged to pay 0.10% of the total assignment amount for each day of delay. As of the Latest Practicable Date, the construction of Shanghai Hospital was not completed as scheduled, primarily due to (1) the postponement of construction activities caused by (i) the COVID-19 outbreak in Shanghai, and (ii) the COVID-19 outbreaks in other cities where some of our construction service providers were located in, leading to postponement of the overall construction project for one month, delay of the main structure construction for five months and delay of the building exterior construction with the completion time expected to be postponed from June 30, 2021 to January 2023; (2) the extensive time required for the procurement and installation of medical equipment, especially the procurement of proton therapy equipment; and (3) the lengthy and stringent regulatory review and approval process for hospital construction project and other required qualifications, which generally takes seven to eight years for a new hospital planned to provide proton therapy services, according to the F&S Report. We expect to complete the construction of Shanghai Hospital and commence the operation in January 2026. We had applied to extend the construction period and completion date of the construction project, and had not received any notification of breach or non-compliance related to our delayed construction from the Shanghai Bureau as of the Latest Practicable Date. With the participation of our PRC Legal Advisor, we attended the telephonic consultations with a representative from the Shanghai Bureau in March 2022 and July 2023. As advised by our PRC Legal Advisor, the Shanghai Bureau is the competent authority to give the following confirmations during the telephonic consultation to the effect that (1) due to the influence of force majeure factors such as the COVID-19 in recent years, other hospital construction projects in the same area also commonly experienced delayed completion, such hospital construction projects met the conditions for liability exemption for delayed completion, and were exempted from liability for delayed completion, and (2) Shanghai Hospital could submit a waiver application for liabilities from delayed construction upon completion of the construction following the relevant procedures, which would be treated same as such other hospital construction projects that no responsibility was held for breach of contract or penalty for delayed completion. Accordingly, we intend to submit the waiver application for liabilities from delayed construction in the fourth quarter of 2025 upon completion of the construction. However, the delay of the construction and operation of Shanghai Hospital may have a material adverse effect on our business, results of operations and financial condition.

**If we fail to recruit and retain a sufficient number of qualified physicians and other medical professionals, our business and results of operations could be materially and adversely affected.**

Our business is largely dependent on the ability of our medical institutions to identify, recruit and retain a sufficient number of qualified physicians and other medical professionals. The competition for qualified physicians is intense. The supply of qualified physicians is limited due to the length of training required, including academic study and clinical training, which can take up to eight years or even longer for certain medical specialties. We believe that physicians generally consider the following key factors when selecting medical institutions to work at, including the reputation and culture, the efficiency of hospital management, the quality of facilities and supporting staff, the number of patient visits, compensation, training programs and location. Our medical institutions may not compete favorably with other medical institutions in respect of one of more these factors, and our medical institutions may not be able to attract or retain a sufficient number of qualified physicians. The physicians at our medical institutions typically are entitled to terminate their employment at any time with a 30 days' prior written notice. In addition, multi-site practice physicians practice at our medical institutions pursuant to the liberated physician registration regulation that allows licensed physicians to register and practice at multiple medical institutions. If the PRC government promulgate new regulations to change such practice in the future, our medical institutions may not be able to retain their current base of multi-site practice physicians. If our medical institutions are unable to successfully recruit or retain seasoned and qualified physicians, our business, results of operations and financial condition may be adversely affected.

Our success is also dependent on the ability of our medical institutions to recruit and retain other qualified medical professionals. It has become increasingly costly to recruit and retain medical professionals in recent years. Our retention rate of medical professionals remained relatively stable at 91.2% and 89.7% in 2020 and 2021, respectively, and decreased to 83.1% in 2022, which was primarily because we conducted large-scale recruitment of medical professionals in 2019 in connection with the staffing preparation for our newly commenced medical institutions and some of these medical professionals, who did not serve for core functions of our Group, chose to leave position for personal reasons not resulting from any disagreement with us in 2022 after the expiration of employment agreements typically with a term of three years. Our retention rate of medical professionals decreased from 83.0% in the six months ended June 30, 2022 to 75.3% in the six months ended June 30, 2023, primarily due to the decreased headcount of our medical professionals in 2023 as part of our efforts to streamline organizational structure and control operating expenses. In addition, there is only a limited pool of medical professionals with expertise and experience in radiation therapy and imaging diagnosis available to us. We face competition for such qualified medical professionals from other public hospitals, private healthcare providers, research and academic institutions and other organizations. There is no guarantee that our medical institutions will be able to recruit and retain sufficient medical professionals. If our medical institutions fail to do so, we may not be able to maintain our service quality, and the number of patient visits at our medical institutions may decrease, which may materially and adversely affect our business, results of operations and financial condition.

**If we fail to recruit and retain sufficient medical professionals for the proton therapy services to be carried out in our medical institutions, our business, results of operations and financial condition could be materially and adversely affected.**

Our ability to provide quality proton therapy services depends in part on our ability to recruit and retain a team of qualified medical professionals in the field of precision radiation therapy, especially proton therapy. Physicians, physicists, and other medical professionals capable of performing precision radiation therapy treatment, particularly proton therapy, are in great demand. Moreover, due to the complicated processes involved, a high degree of knowledge and experience is required in order to properly and effectively perform the treatment. Recruiting, nurturing and retaining experienced experts to form a high-caliber team requires significant time and resources. Considering so, we have made substantial investments to recruit in advance many key medical professionals and management personnel for precision radiation therapy, especially proton therapy, related services to be carried out for our Guangzhou Hospital. Accordingly, we incurred relevant significant employee benefit expenses in cost of revenue for our Guangzhou Hospital. We expect such core team to conduct multi-site practice to also support the operation of our Shanghai Hospital upon commencement, especially its proton center. However, we may encounter difficulties in maintaining our team of qualified proton therapy medical professionals, since they are in high demand, and in finding equivalent and suitable replacements for them in line with our business expansion. If we fail to maintain a team of proton therapy medical professionals with sufficient skills, knowledge and experience, we may not be able to ensure the quality and efficiency of the proton therapy services to be carried out in our medical institutions, and going forward, the number of patient visits for proton therapy services at our medical institutions may be affected, which may materially and adversely affect our business, results of operations and financial condition.

**We may encounter difficulties in successfully attracting new enterprise customers or retaining existing ones, which could materially and adversely affect our business and operations.**

We provide enterprise customers with integrated oncology-related services, including primarily sales and installing of medical equipment and software, management and technical support, and operating lease. To further increase the oncology healthcare capability of our enterprise customers, we have integrated our online and offline medical resources into cloud platforms. Our growth has depended on our ability to expand our network of enterprise customers. However, there is only a limited supply of suitable hospitals available in the market with which we can develop new business partnerships. Additionally, certain competitors may have greater financial resources than we do, which may provide them with an advantage in negotiating new partnerships with hospitals, including our existing enterprise customers. As a result, we may not be able to enter into agreements with new enterprise customers or renew agreements with existing ones on terms comparable to those we have been able to obtain in the past, or at all, and our business, results of operations and financial condition would be materially and adversely affected. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our retention rate of enterprise customers was 75.0%, 62.1%, 45.5%, 46.2% and 26.2%, respectively. Our enterprise customer retention rate decreased during the Track Record Period primarily because we strategically focused on expanding our sales and installing of medical equipment and software as well as management and technical support services with new customers, and did not renew certain agreements with operating lease customers upon expiry considering that they have achieved their goals to improve their medical and operational capabilities benefited from our years of comprehensive support.

In addition, our agreements with enterprise customers generally set forth certain events that may grant the relevant parties the right to early termination. If we have material disputes with our enterprise customers or otherwise fail to maintain sound relationships with them, they may elect to exercise early termination or refuse to renew agreements with us after expiration of our agreements. Moreover, our enterprise customers may have business or economic interests that differ from ours, enter into disputes with us, or take action that is inconsistent with our interests, objectives or instructions, where applicable. We cannot assure you that we will be able to resolve any disputes or disagreements in our favor, if at all, or that we or our enterprise customers will not exercise early termination rights of the relevant agreements or take other adverse actions against the relevant parties. Furthermore, any material dispute or termination of such partnerships may harm our reputation, which may result in difficulties identifying and securing new enterprise customers for our future growth. Our enterprise customers' business activities may also face risks relating to, including, among others, operation disruption and non-compliance, beyond our control. For instance, we provide operating lease to our partnered hospitals, including public hospitals that are subject to PRC regulations regarding the pricing and payment for large-scale medical equipment deployment. If our current arrangements with our enterprise customers were deemed to be invalid, void or in need of adjustment, as a result of their operation disruption and non-compliance, we may be unable to realize the anticipated benefits under such arrangements with them. Any of the above events may materially and adversely affect our business, results of operations and financial condition.

**We have historically derived a significant portion of our revenue from a limited number of enterprise customers, and our trade receivables are also concentrated with a few enterprise customers.**

We have historically derived a significant portion of our total revenue from a limited number of enterprise customers. In 2020, 2021, 2022 and the six months ended June 30, 2023, revenue generated from our five largest customers in each year/period during the Track Record Period was RMB48.3 million, RMB150.3 million, RMB137.9 million and RMB96.5 million, respectively, accounting for 29.1%, 31.9%, 29.2% and 33.8% of our total revenue, respectively, and revenue generated from our largest customer in each year/period during the Track Record Period accounted for 7.4%, 12.2%, 12.2% and 16.4% of our total revenue in the same periods, respectively. Our five largest customers in each year/period during the Track Record Period primarily included our partnered hospitals and distributors for medical equipment, software and related services. Such revenue concentration may continue in the future. Due to the concentration of our revenue and our dependence on a limited number of enterprise customers, any one or more of the following events may cause material fluctuations or declines in our revenue and materially adversely affect our business, results of operations and financial condition:

- reduction in the number of patient cases at the oncology departments of the partnered hospitals which we provide services for;
- loss of key experienced medical professionals of partnered hospitals;
- decrease in the profitability of such enterprise customers;
- failure to maintain or renew our agreements with these enterprise customers;
- any failure of these enterprise customers to make contracted payments to us;
- any regulatory changes in the geographic areas where our partnered hospitals are located; or
- any other disputes with these enterprise customers.

In addition, trade receivables from our five largest customers in each year/period during the Track Record Period accounted for 2.4% of our total trade receivables as of June 30, 2023. Any significant delay in the payment of such trade receivables could materially impact our financial condition and liquidity.

**We depend on distributors for a substantial portion of our revenue and revenue growth for our sales and installing of medical equipment and software. We may fail to maintain relationships with distributors or further expand our distributor network.**

We engage distributors to enhance our service capacity and efficiency in response to the increased customer demands as we expand our medical equipment, software and related services. Under the distributorship model, we learn about medical equipment related demands of our end customers, or target hospitals, either through our distributors or directly from the target hospitals. We generally procure medical equipment from our suppliers upon the receipt of demand from a target hospital. For the cases where target hospitals reach out to us for medical equipment related demands, we will seek a distributor qualified to distribute such medical equipment to the target hospital. To save the cost of obtaining by ourselves all the necessary permits in selling medical equipment to target hospitals in scattered locations, we typically enter into ad-hoc contracts with qualified distributors for specific transactions to address the demands of our target hospitals. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we engaged four, 14, nine, four and seven distributors, respectively, for one-off transactions to deliver medical equipment to designated hospitals on a purchase order basis. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we generated 84.7%, 63.7%, 64.7%, 89.7% and 94.1% of our revenue for sales and installing of medical equipment and software through sales to distributors, respectively. Our ability to maintain and expand our medical equipment, software and related services depends partially on our ability to maintain an effective distributor network that ensures timely distribution of medical equipment to the designated hospitals with demands. All of our distributors are Independent Third Parties over whom we have limited control. Moreover, in line with industry practice, we generally do not enter into long-term distribution agreements for such one-off transactions. If our distributors terminate their business relationships with us for various reasons beyond of control, our business, results of operations and financial condition could be materially and adversely affected. As many of our five largest customers in each year/period during the Track Record Period were our distributors, if any of our distributors substantially terminate their business relationship with us entirely, we may not be able to seek other qualified distributors to distribute medical equipment to target hospitals. As a result, our business prospects could be materially and adversely affected.

In addition, competition for distributors for the sale of medical equipment is intense. We compete for desired distributors with other leading medical equipment and software providers that may have greater visibility, brand recognition and financial resources. Our competitors may enter into exclusive distribution agreements that restrict their distributors from selling for us. Consequently, maintaining relationships with existing distributors and replacing distributors may be difficult and time consuming. Furthermore, the implementation of the two-invoice system limits the distribution of medical devices in some provinces and municipal cities to a single level of distributors from manufacturers to public hospitals or similar systems. Related changes may have a negative impact on us, as there would be a smaller pool of distributors, which may increase the bargaining power of distributors. The implementation of the two-invoice system is at an early stage, and the interpretation and enforcement of such system in the medical device industry are evolving, which may affect our business, results of operations and growth prospects. If we involve in more than one layer of distributors in the provinces or municipal cities that have implemented the two-invoice system for medical devices, we may risk violating the relevant local regulations and may be subject to regulatory measures imposed by the relevant local government authorities. Any disruption of our distributor network could negatively affect our ability to effectively sell medical equipment and software, and would materially and adversely affect our business, results of operations and financial condition.

**If our enterprise customers transact directly with our suppliers for medical solution business, we may be exposed to the risk of disintermediation.**

For our sales and installing of medical equipment and software, we generally collect demands from enterprise customers and target hospitals (who are our end customers that we supply medical equipment through distributors), source corresponding medical equipment from our suppliers, including primarily medical equipment manufacturers and distributors, and then onsell such equipment to our enterprise customers. For a majority of transactions involving medical equipment, we bear the inventory risk and we are responsible for the delivery of the medical equipment from supplier's warehouse directly to the customers using our designated logistic company. For certain limited one-off transactions involving medical equipment, we are responsible for arranging the supplier for the provision of medical equipment, and to provide the delivery, installation and testing services of the equipment to the customers, and we bear no inventory risk. Over the years, we have established long-term relationships with renowned medical equipment manufacturers and distributors to secure stable supply of quality medical equipment at competitive prices. As an integral part of our medical equipment, software and related services, we also provide management and technical support to our enterprise customers on their medical equipment procured from us with respect to equipment operation, clinical practice and quality control protocols, medical professional training, and academic research, on-site or through our cloud platforms.

During the Track Record Period and up to the Latest Practicable Date, to the best of the knowledge of our Directors, for the specific medical equipment that we entered into binding contracts with our customers and suppliers under our sales and installing of medical equipment and software business, none of our enterprise customers have bypassed us and directly purchased from our suppliers, and none of our suppliers have bypassed us and directly distributed medical equipment to our customers. Hypothetically, for enterprise customers who have solid industry resources and well-equipped expertise on medical equipment, they are better able, and may choose, to purchase medical equipment directly from our suppliers instead of through our sales and installing of medical equipment and software. In addition, we generally do not enter into long-term or exclusive agreement with our suppliers. There is a possibility that our suppliers may choose to distribute some or all of their medical equipment directly to end customers in one or more markets, or our customers may also choose to procure directly from our suppliers. This process of disintermediation could put us at risk of losing business from enterprise customers to suppliers. The risk of disintermediation may also adversely affect our ability to obtain favorable pricing from suppliers and to optimize revenue and profit margins with respect to our enterprise customers. In the circumstances where our enterprise customers transact directly with our suppliers for sales and installing of medical equipment and software, we may be exposed to the risk of disintermediation, and our business, results of operations and financial position would be materially and adversely affected.

**Any failure by our enterprise customers to make contracted payments to us, or any disputes over or significant delays in receiving such payments could materially and adversely affect our business, results of operations and financial condition.**

Our enterprise customers typically make payments for our provision of medical equipment and software, management and technical support, and operating lease. Our enterprise customers make payments to us on a periodic basis, or transfer us the one-off payment of service fee or medical solution purchase. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had trade receivables of RMB46.2 million, RMB131.7 million, RMB114.4 million and RMB78.9 million, respectively, from our enterprise customers under our medical equipment, software and related services. Any failure by our enterprise customers to make contracted payments to us, or any disputes over or significant delays in receiving such payments from our enterprise customers could negatively impact our financial condition. Accordingly, any failure by us to maintain good relationship with our enterprise customers, any operational disruption caused by their non-compliance, or any dissatisfaction of them as a result of our services or any other reasons, could negatively affect our ability to collect revenue, reduce the likelihood that our agreements with enterprise customers will be renewed, damage our reputation, and otherwise materially adversely affect our business, results of operations and financial condition.

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

We may collect advance payments pursuant to our agreements with our customers before providing the underlying goods or services, which gives rise to our contract liabilities. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract liabilities amounted to RMB85.3 million, RMB55.1 million, RMB97.3 million and RMB82.5 million, respectively. See "Financial Information—Discussion of Certain Items from the Consolidated Statements of Financial Position—Contract liabilities." 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 request to refund the payments we have received, which could adversely affect our cash flow and liquidity condition, our results of operations and financial condition. In addition, failure in fulfilling our obligations under our contracts with customers could adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

**We are exposed to credit risk in relation to our trade receivables.**

Our trade receivables primarily consisted of amounts due from partnered hospitals and other enterprise customers for our medical equipment, software and related services, or medical insurance programs for healthcare services provided by our medical institutions. Patients who are covered by the public medical insurance programs may choose to settle a portion of their medical bills through out-of-pocket payments, with the remainder being covered by the public medical insurance programs. For the portion of the medical fees covered by the public medical insurance programs and payable by the local medical insurance bureaus, our medical institutions typically receive reimbursement of a majority of such portion in the current month or the following month, with the remainder to be settled generally within the first six months in the following year, except when such portion exceeds the government-approved annual quota. We typically grant credit terms of up to approximately 90 days to our enterprise customers. We had trade receivables of RMB57.2 million, RMB137.4 million, RMB109.3 million and RMB84.5 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. In 2020, 2021, 2022 and the six months ended June 30, 2023, our trade receivables turnover days were 127 days, 79 days, 107 days and 77 days, respectively. As of June 30, 2023, our impairment loss recognized, net on trade receivables amounted to RMB21.4 million, or 20.2% of our total trade receivables as of the same date. We cannot assure you that our past provisioning practice will not change in the future or that our provision levels will be sufficient to cover defaults in our trade and bills receivables. For details of our trade receivables and our provisioning practice, see Note 19 and Note 37 to the Accountants' Report in Appendix I to this document.

We are exposed to the risks that our customers or other business partners may delay or even be unable to pay us in accordance with the payment terms included in our agreements in a timely manner, or at all. Although we closely monitor our outstanding trade receivables, we cannot assure you that we will be able to fully recover the outstanding amounts in a timely manner, or at all. In addition, as our business continues to scale up, our trade receivables may continue to grow, which may increase our credit risk. Any substantial delay in or default of payments from our customers and other business partners could materially and adversely affect our business, results of operations and financial condition.

**Our new business initiatives in Internet Hospital and cloud platforms may fail to achieve expected benefits, or at all.**

We launched our Internet Hospital in May 2021, which acts as a one-stop portal connecting cancer patients with comprehensive healthcare resources with respect to remote hospital appointment, diagnostic interpretation, MDT, post-treatment health management and oncology-related education. Furthermore, we have integrated our online and offline medical resources into our cloud platforms to offer various cloud-based services, including primarily digitalized processing of diagnostic pathology and diagnostic imaging results; remote consultation, radiation modeling, therapy customization and quality control; supply-chain management; and joint research, training and technological support. In particular, we launched Jiahe Yunying Remote Imaging Information Diagnosis Platform in December 2020 and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform in September 2021.

These new initiatives are substantially different from our existing businesses in many ways, such as business model, operating mechanics, marketing strategies and governmental and regulatory requirements. Based on our limited experience in above new business initiatives and policy changes toward such businesses and in the internet industry in general, there can be no assurance that we will be successful in operating the new business in the future. If our new service offerings do not meet users' expectation or if we fail to provide superior user experience or maintain users' trust in our brand, our business and reputation may be adversely affected. In addition, failure of in-house medical team or external physicians to provide adequate and proper medical services on such new online platforms may have adverse effect on our reputation, business and results of operations. Furthermore, the online healthcare service market is immature and volatile, and if it does not develop, if it develops more slowly than we expect, or if our services do not drive user engagement, our business growth will be harmed.

**If we fail to maintain stable relationships with our strategic collaboration partners, our business, reputation, results of operations and financial condition may be adversely affected.**

We have gained rich resources of operational techniques, medical technology, and clinical experience in cancer diagnosis and treatment through our collaboration with world-leading medical institutions and equipment manufacturers in China and worldwide. These strategic collaborations were established with the world's top medical institutions and pre-eminent medical equipment manufacturers. See "Business—Collaboration Arrangements." We cannot assure you that such strategic collaboration partners will renew their agreements with us upon expiry, or otherwise maintain the collaborative relationships with us. In addition, there can be no assurance that such strategic collaboration partners would not enter into similar arrangements with our competitors or otherwise act in a manner adverse to our interests. If we fail to maintain our strategic collaboration relationships or if such strategic collaboration partners fail to fulfill their obligations under the relevant collaboration agreements, our business, reputation, results of operations and financial condition may be adversely affected.

**We face intense competition in the oncology healthcare service industry. If we fail to compete effectively, our business, results of operations and financial condition could be materially and adversely affected.**

Our medical institutions compete primarily with public and private oncology healthcare institutions located in China. We will also compete with future market entrants as the rapid growth of the oncology healthcare service industry in the PRC may attract more domestic or international players to enter. Some of our competitors may have substantially greater financial, marketing or other resources than we do. It is also possible that there will be significant consolidation and mergers in the oncology healthcare service industry. Our competitors may develop alliances, and these alliances may acquire significant market share. In addition, specialty hospitals that focus on one or only a few medical disciplines continue to grow. These hospitals generally have a lower barrier to entry than general hospitals. If the number of such hospitals increases over time, they may attract patients for their respective disciplines who might otherwise go to our medical institutions for the same services, causing increased competition for our business, which could, in turn, have a negative effect on our patient intake and overall market share. We cannot assure you that our medical institutions will be able to successfully compete against new or existing competitors, and changes in the competitive landscape may result in price reduction, reduced revenue or loss of market share, any of which could have a material adverse effect on our business, results of operations and financial condition.

Moreover, as China's healthcare reform deepens and more private hospitals enter into the market, more hospitals will offer differentiated services that are not currently available in China's healthcare service market. The wealthy population usually has resources and access to premium hospitals and medical experts. To reach this group of patients, we need to reinforce our industry position and reputation and offer comparable or better services than other domestic and international hospitals. If we fail to build up a strong reputation among patients, our revenue and profits will be affected adversely.

**We could be exposed to risks related to our patients' personal medical information processing activities.**

Our medical institutions collect and store personal medical information of their patients. PRC laws and regulations generally require medical institutions and their medical professionals to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. We may also be liable for damage caused by divulging the patients' private or medical records without consent. Moreover, our Internet Hospital collects, generates and processes a large amount of personal, medical and transactional data.

We have taken measures to maintain the confidentiality of our patients' personal medical information, including de-identifying sensitive information in our information systems so that it cannot be viewed without proper authorization and setting internal rules requiring our employees to maintain the confidentiality of our patients' personal medical information. However, these measures may not always be effective. There is a risk that data confidentiality could be compromised in the event of a security breach at our medical institutions, cloud platforms and Internet Hospital. Such information could be divulged due to, for instance, theft or misuse arising from staff misconduct or negligence. While we believe our current usage of patients' medical information is in compliance with applicable laws and regulations governing the use of such information, such laws and regulations may be subject to further amendments and changes, which may affect our ability to use medical information and subject us to liability for the use of such data for current permitted purposes. Failure to protect the confidentiality of patients' personal medical information, or any restriction on or liability as a result of our medical data processing activities, could have a material adverse effect on our business and reputation.

**We are subject to evolving laws, regulations and governmental policies regarding privacy and data protection. Actual or alleged failure to comply with such laws, regulations and governmental policies could materially and adversely affect our business and reputation.**

When conducting our business, we may need to store, transmit and process certain data of our patients, and therefore face risks inherent in handling large volumes of data and in protecting the security and privacy of such data. In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. Such regulatory requirements on data privacy are evolving and may be subject to further interpretations or changes, which may affect the scope of our responsibilities in that regard. For instance, on June 10, 2021, the SCNPC promulgated the PRC Data Security Law (中華人民共和國數據安全法), which took effect in September 2021. The PRC Data Security Law requires, among other things, data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data security, data processing activities must be conducted based on data classification and hierarchical protection system. Furthermore, along with the promulgation of the Opinions on Strictly Combating Illegal Securities Activities (關於依法從嚴打擊證券違法活動的意見), overseas-listed China-based companies are subject to a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC regulatory authorities. On August 20, 2021, the SCNPC issued the Personal Information Protection Law (中華人民共和國個人信息保護法) (the "PIPL"), which took effect on November 1, 2021, reiterating the circumstances under which a personal information processor could process personal information and the requirements for such circumstances. The PIPL clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing activities and the basic requirements of notice and consent.

On July 7, 2022, the Cyberspace Administration of China (the "CAC") promulgated the Measures for Data Cross-border Transfer Security Assessment (數據出境安全評估辦法), which became effective on September 1, 2022. According to the Measures for Data Cross-border Transfer Security Assessment, where a data processor transfers data abroad, the data processor shall apply to the CAC for a data cross-border transfer security assessment through the local CAC at the provincial level when: (1) a data processor transfers important data abroad; (2) a critical information infrastructure operator or a data processor processing the personal information of more than one million persons transfers personal information abroad; (3) a data processor has provided a total of 100,000 persons' personal information or 10,000 persons' sensitive personal information to overseas since January 1 of the previous year, and (4) other circumstances in which the data processor shall apply for a data cross-border transfer security assessment as stipulated by the CAC. As of the Latest Practicable Date, all the data collected and produced during our operations within the mainland of the PRC is stored within the PRC. Furthermore, there is no data cross-border transfer during our business operations except for the fact that based on our patients' prior informed consent, we seek technical guidance from certain overseas medical institutions on a case by case basis. Based on the fact that (1) we only transfer de-identified personal information to overseas medical institutions when cooperating with overseas medical institutions to provide medical service for our patients, (2) through the public search, the data we process has not yet been included into any effective catalog of important data published by any governmental authority as such important data is subject to the security assessment when transferred overseas under the Measures for Data Cross-border Transfer Security Assessment, (3) the patients related to and revenue from such cooperation with overseas medical institutions is very limited and (4) we have conducted a data cross-border transfer self-assessment according to relevant PRC laws, regulations and official guidance and such self-assessment indicates that we do not engage in data cross-border transfer which shall apply for the data cross-border transfer security assessment, the Measures for Data Cross-border Transfer Security Assessment do not have a material adverse impact on our operation.

On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿) ("Draft Data Security Regulations"). According to the Draft Data Security Regulations, data processors shall, in accordance with relevant national regulations, apply for cybersecurity review when carrying out the following activities: (1) the merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security, (2) data processors that handle the personal information of more than one million people intend to be listed abroad, (3) the data processor intends to be listed in Hong Kong, which affects or may affect national security, and (4) other data processing activities that affect or may affect national security. However, the Draft Data Security Regulations provide no further explanation or interpretation for what activities or data "affect or may affect national security." what activities or data "affects or may affect national security" may be subject to further interpretation. In addition, the Draft Data Security Regulations also regulate other specific requirements in respect of the data processing activities conducted by data processors through internet in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. For instance, in one of the following situations, data processors shall delete or anonymize personal information within 15 business days: (1) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed, (2) the storage term agreed by the users or specified in the personal information processing rules has expired, (3) the service has been terminated or the account has been canceled by the individual, and (4) unnecessary personal information or personal information without the consent of the individual, which was collected inevitably due to the use of automatic data collection technology. For the processing of important data, specific requirements shall be complied with, for instance, processors of important data shall specify the responsible person of data security, establish a data security management department and file to the cyberspace administration at the municipal district level within 15 business days after the identification of their important data.

On December 28, 2021, the CAC and 12 other government authorities jointly issued the Cybersecurity Review Measures (2021) (網絡安全審查辦法(2021)), which took effect on February 15, 2022 and restated and expanded the applicable scope of cybersecurity review as set forth in the Measures for Cybersecurity Review which was promulgated in April 2020 and effective in June 2020. According to the Cybersecurity Review Measures (2021), among others, if an internet platform operator has personal information of over one million users and pursues a foreign **[REDACTED]** (國外**[REDACTED]**), it must be subject to the cybersecurity review. See "Regulatory Overview—Regulations on Information Security." By means of telephonic consultation with China Cybersecurity Review Technology and Certification Center, which is delegated by the CAC for public inquiry relating to the cybersecurity review under the Cybersecurity Review Measures, we are informed that Hong Kong is part of the PRC and **[REDACTED]** in Hong Kong may not be recognized as **[REDACTED]** in a foreign country and, therefore, we are not required to apply for cybersecurity review for the **[REDACTED]**.

Furthermore, the Cybersecurity Review Measures provide that (1) when the purchase of network products and services by a critical information infrastructure operator affects or may affect national security, the aforesaid operators shall file for a cybersecurity review with Cybersecurity Review Office under the CAC; (2) an application for cybersecurity review shall be made by an issuer who is an internet platform operator holding personal information of more than one million users before such issuer applies **[REDACTED]** its securities on a foreign stock exchange; and (3) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. As of the Latest Practicable Date, we were not identified as an operator of "critical information infrastructure" by any government authority. As a result, the obligations as required under PRC cybersecurity laws and other applicable laws for such operators of "critical information infrastructure" are currently not applicable to us. If we are recognized as an operator of "critical information infrastructure" in the future, we will be required to comply with such obligations under the relevant laws and regulations, including, among others, setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents and conducting regular emergency drills, and although the internet products and services we purchase are primarily bandwidth and marketing services, we may need to follow cybersecurity review procedure and apply to Cybersecurity Review Office before making certain purchases of network products and services. During cybersecurity review, we may be required to suspend the provision of any existing or new services to our users, and we may experience other disruptions of our operations, which could cause us to lose users and customers therefore leading to adverse impact on our business. The cybersecurity review could also lead to negative publicity and a diversion of time and attention of our management and our other resources. It could be costly and time-consuming for us to prepare application materials and make the applications. Furthermore, there can be no assurance that we will obtain the clearance or approval for these applications from the Cybersecurity Review Office and the relevant regulatory authorities in a timely manner, or at all. If we are found to be in violation of cybersecurity requirements in China, the relevant governmental authorities may, at their discretion, conduct investigations, levy fines or require us to change our business practices in a manner materially adverse to our business. Moreover, Article 16 of the Cybersecurity Review Measures provides that the competent PRC government authority may initiate cybersecurity review where any member of the cybersecurity review working mechanism believes that any network product, service or data processing activity affects or may affect national security and when such cybersecurity review has been approved by Office of the Central Cyberspace Affairs Commission. However, what activities or data "affects or may affect national security" may be subject to further interpretation, and there is risk that we may be subject to the cybersecurity review in the future. As a result, we may be required to upgrade or change our service offerings and other aspects of our business to comply with such laws and regulations. Any of these actions may disrupt our operations and adversely affect our business, results of operations and financial condition.

On August 8, 2022, National Health Commission, National Administration of Traditional Chinese Medicine, and National Bureau of Disease Control and Prevention jointly promulgated the Administrative Measures for the Cybersecurity of Medical and Healthcare Institution (醫療衛生機構網絡安全管理辦法) with immediate effect. Administrative Measures for the Cybersecurity of Medical and Healthcare Institutions require full life-cycle management of cyber security and data security, including but not limited to strengthening system construction, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

We have adopted various measures to ensure compliance with privacy and data protection regulations. See "Business—Data Privacy and Protection" for details. However, our security control may not prevent the improper leakage of personal data and confidential information. Additionally, we cannot assure you that we will be able to address any vulnerabilities in our cloud platforms and Internet Hospital that we may become aware of in the future. In particular, we could be subject to attacks on our systems by third parties or fraudulent or inappropriate behaviors by our employees, third-party providers or other business partners. Third parties may also gain access to our data using computer malware, viruses, spamming, phishing attacks or other means. A security breach that leads to leakage of data and information of our users, even though anonymized, could still subject us to legal liabilities, regulatory sanctions, reputational damage and loss of user confidence. In addition, data breaches or any misconduct during the process of collection, analysis and storage of data, could result in a violation of applicable data privacy and protection laws and regulations in China, and subject us to regulatory actions, investigations or litigations. As we operate our Internet Hospital and cloud platform services based on internet and information systems, if any security breach (including but not limited to any data breach, system attack or internet malfunction) occurs, we may have to suspend or cease our services and may lead us to be subject to regulatory actions, investigations or litigations. In particular, large volume of patients' data are transmitted via internet under such services. If any such data is hijacked or leaked when transmitted due to any third party's action or any failure of our cybersecurity occurs, we may also be involved in regulatory actions, investigations or litigations. Moreover, we cannot assure you that we will be able to comply with all aspects of all of the data and privacy protection laws and regulations in the PRC as they are evolving, and such non-compliance may lead to regulatory actions, investigations or litigations against us. Even if these actions, investigations or litigations do not result in any liability to us, we could incur significant costs in investigating and defending against them, and could be subject to negative publicity about our privacy and data protection practices, which may affect our reputation in the marketplace. Our potential risks related to our collection and use of data could cause us to implement measures to reduce our exposure to liability, which may incur a cost of substantial resources and limit the attractiveness of our services to our patients and partnered hospitals. As a result, our business, results of operations and financial condition could be materially and adversely affected.

**China's regulatory regime for the healthcare service industry, particularly with respect to public medical insurance programs or healthcare reform policies, may be subject to further amendments and changes and is evolving, which could have a material adverse effect on our business operations and future expansion.**

China's regulatory regime governing the healthcare service industry is evolving, and new regulations and policies may be promulgated, which may affect our business and corporate structure. In recent years, the PRC government launched a new healthcare reform plan with the aim to ensure that every citizen has access to affordable basic healthcare services. To that end, the PRC government has implemented extensive policy reforms to address the affordability, accessibility and quality of healthcare services, such as those on medical insurance coverage. In addition, the PRC government has gradually reduced regulatory requirements for establishing and investing in private hospitals, and has encouraged the development of hospital management groups.

Our business operations and future expansion are largely driven by government policies, which may be subject to further amendments and changes. Additional or more stringent requirements may be implemented on healthcare services, more rigorous supervision may be implemented on medical institutions, particularly private hospitals, and more strict or comprehensive regulations may be implemented on the distribution of pharmaceuticals, medical consumables and medical equipment. For example, the NMPA publicly solicited opinions on the Regulations for the Implementation of the Drug Administration Law of the PRC (Revised Draft for Comment) (中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)) (the "Draft Regulation") on May 9, 2022, which has not come into effect as of the date of this document. The Draft Regulation provides that, among others, third-party platform providers for online drug trading shall file with the competent drug regulatory authorities for providing services related to online drug sales. Such third-party platform providers shall not directly participate in online drug sales activities. We had not carried out any online drug sales activities as a third-party platform provider as of the Latest Practicable Date. However, if we expand the service of our Internet Hospital in the future to include, among others, operating online drug sales activities as a third-party platform provider, we may be subject to the Draft Regulation, which may limit our planned services and increase our compliance cost. The Draft Regulation has not yet come into effect, and the relevant provisions of such regulation is subject to the officially final version to be promulgated upon effective, the interpretation and implementation of such regulation is also subject to its official promulgation. We will closely monitor the legislative progress of the Draft Regulation to ensure our compliance. Future regulatory changes may also implement more requirements on private or foreign investments in the healthcare service industry, reduce coverage or reimbursement rates or prolong the payment processing cycle under public medical insurance programs, or implement additional price controls on medical services and products. Any of such events could have a material and adverse impact on our business, results of operations and financial condition.

**Any failure to remain eligible for public medical insurance coverage, or any non-payment or delayed payment under China's public medical insurance programs, including the Diagnosis Related Groups payment system and Diagnosis Intervention Packet payment system, could materially and adversely affect our business, results of operations and financial condition.**

In Medical Insurance Designated Medical Institutions (醫保定點醫療機構), being the medical institutions that are eligible for public medical insurance coverage, patients may make partial payments if the medical bills are not fully covered, with the remaining fees payable to be settled between us and the relevant public medical insurance authorities. As such, whether a medical institution is eligible for public medical insurance coverage could affect its acceptance among potential patients. As of the Latest Practicable Date, four of our medical institutions including Guangzhou Hospital, Datong Hospital, Guangzhou Outpatient Center and Shanghai Outpatient Center were Medical Insurance Designated Medical Institutions. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue derived from settlement through public medical insurance programs was RMB31.0 million, RMB43.0 million, RMB74.6 million, RMB26.7 million and RMB86.7 million, respectively, accounting for 37.1%, 26.7%, 34.2%, 32.2% and 54.5% of our total revenue generated from our hospital business for the same periods, respectively. We expect to continue to receive a significant portion of our total medical bill payments under public medical insurance programs.

According to the Notice on Issuing the National Pilot Technical Specifications and Grouping Scheme for the Diagnosis Related Groups ("DRG") Payment (關於印發疾病診斷相關分組(DRG)付費國家試點技術規範和分組方案的通知) promulgated by the National Health Security Administration on October 16, 2019, DRG is a case combination classification scheme under China' public medical insurance program. DRG payment system considers hundreds of disease groups and determines the optimal amount to be paid by the public medical insurance program for each disease group, based on a variety of factors such as patient age, disease diagnosis, comorbidity, complication, treatment, disease severity, and resource consumption level. According to the Notice on Issuing the Technical Specifications for National Medical Insurance Payment by Diagnosis Intervention Packet ("DIP") and the DIP Disease Catalog (Version 1.0) (關於印發國家醫療保障按病種分值付費(DIP)技術規範和DIP病種目錄庫(1.0版)的通知) promulgated by the National Health Security Administration on November 9, 2020, DIP is a management system which classifies disease groups based on the common characteristics of disease diagnosis and treatment methods, and assigns different score point values for different disease groups to form reimbursement standards. Both DRG and DIP payment systems are applicable only for medical insurance reimbursement for medical institutions providing inpatient services. Based on the different choices between DRG and DIP payment systems made by the relevant Medical Insurance Bureau in Datong and Guangzhou, our Datong Hospital began to adopt the DRG payment system for its inpatient services since its public medical insurance agreement entered into with the Medical Insurance Bureau of Datong in 2023; and our Guangzhou Hospital began to adopt the DIP payment system for its inpatient services since its public medical insurance agreement entered into with the Medical Insurance Bureau of Guangzhou in 2021. Since our other medical institutions do not provide inpatient services, DRG or DIP payment system is not applicable to our other medical institutions.

Under both the DRG and the DIP payment system, the local public medical insurance authorities reimburse medical institutions that adopted DRG or DIP according to the reimbursement standard of the disease group that the patient belongs, and not according to the actual costs incurred by the patient at the medical institution. As a result, under the DRG or DIP payment system, there may be non-reimbursable amounts if the claimed reimbursement amount based on the actual inpatient service costs incurred by the patients at Datong Hospital or Guangzhou Hospital are higher than the reimbursement amounts received by the hospitals according to the reimbursement standard of the corresponding disease group. Specifically, in 2021 and 2022, under the DIP payment system, Guangzhou Hospital recorded non-reimbursable amounts of RMB6.3 thousands and RMB291.4 thousands, respectively, accounting for 0.1% and 0.3% of the total revenue generated from Guangzhou Hospital in the same periods, respectively. If our medical institutions record material non-reimbursable amounts in the future, such non-reimbursable amounts could adversely affect the business operation and results of operations of Datong Hospital or Guangzhou Hospital, which could adversely affect our business, results of operations and financial condition.

We cannot assure you that our medical institutions will be able to maintain their status as Medical Insurance Designated Medical Institutions, the loss of which will not only harm our reputation but may also result in reduced patient visits. Furthermore, reimbursement policies in coverage plans may be subject to further changes in the future such that certain medical services and products provided by our medical institutions may no longer be covered, or that more stringent thresholds on existing coverage may be implemented. Any reduction in the rates reimbursed or the scope of services covered may reduce patient accessibility to our medical institutions and may lead to reduced patient flow and related revenue.

In addition, any dispute or late or delinquent settlement under the public medical insurance programs may cause our trade receivables to increase or result in write-offs. Depending on the relevant public medical insurance programs' practice, a Medical Insurance Designated Medical Institution may be subject to a government-approved annual quota for public medical insurance reimbursements. If the quota assigned by the local medical insurance authorities does not increase in line with the revenue growth of our medical institutions, the loss generated from such non-reimbursable amounts would increase, which could adversely affect our business, results of operations and financial condition.

**Certain of the medical services and products we provide are effectively subject to regulatory price controls due to our voluntary price-matching policies, which may adversely affect our results of operations.**

PRC laws and regulations set price controls and price ceilings on various service and products provided by medical institutions. While we, as a private medical institution operator, are not directly subject to the pricing regulations that public medical institutions must abide by, at our medical institutions that are Medical Insurance Designated Medical Institutions, we are required to set the prices for services, pharmaceuticals and medical consumables covered under the public medical insurance programs in accordance with the pricing guidelines adopted under such programs in order for our patients to be eligible for reimbursements. As a result, government policies that set price ceilings, reduce profit margins or restrict insurance reimbursement amounts may in turn negatively impact our results of operations. For instance, our Datong Hospital recorded relatively low average spending per inpatient visit in 2021 and 2022, compared to 2020, primarily due to the decreased average spending for inpatient services for patients covered by the public medical insurance program as requested by Datong Medical Insurance Service Centre when executing the price ceilings of average spending for inpatient services per inpatient visit designated in the public medical insurance agreements in practice in 2021 and 2022. Furthermore, the PRC government has adopted a centralized volume-based procurement regime in an effort to regulate the prices of certain pharmaceuticals, which may exert downward pressure on the pricing of pharmaceuticals used in our medical institutions that are included under such regime. See "Regulatory Overview—Regulations on Pharmaceuticals and Medical Devices in Medical Institutions—Opinions of the General Office of the State Council on Promoting the Centralized Volume-based Procurement of Drugs in a Normalized and Institutionalized Manner." For example, our Shanghai Outpatient Center experienced decreased average spending per outpatient visit from 2021 to 2022, partially due to the decrease in pricing of certain pharmaceuticals as impacted by implementation of the centralized volume-based drug procurement regime in China. In addition, services provided by our enterprise customers which are public hospitals or Medical Insurance Designated Medical Institutions, are subject to price ceilings prescribed by the national and relevant local healthcare administrative authorities. If the current price ceilings are subject to further reduction, or if additional medical services and products are subject to price controls and/or public medical insurance reimbursement limits, we may need to adjust our own pricing policies where appropriate in order to maintain our competitiveness in the market, which could adversely affect our results of operations and financial condition. Moreover, if we fail to respond to the pricing changes in a timely manner by adjusting pricing policies or service offerings, our business and prospects may be adversely affected.

**Our failure to maintain relationships with commercial insurance companies on terms similar to those currently in place could have a material adverse effect on our business, results of operations and financial condition.**

With respect to certain payments not covered by public medical insurance programs, our patients need to self-pay or be covered under various commercial insurance coverages. We will continuously need to negotiate with various insurance companies, both domestic and international, to enroll medical institutions in their coverages. We cannot assure you that we can establish and manage the business relationship with insurance companies properly and effectively. Any reduction in the rates reimbursed or the scope of services covered may reduce patient accessibility to our medical institutions and may lead to reduced patient flow and related revenue. In addition, any dispute or late or delinquent settlement with commercial insurance companies may cause our trade receivables to increase or result in write-offs. Without adequate commercial medical insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. We may also face collection risks as insurance companies may not pay for certain clinical procedures.

**Healthcare administrative authorities in China currently set procurement quotas and other regulatory requirements for certain types of medical equipment, including proton therapy treatment systems.**

The PRC government regulates the procurement, installation and operation of large-scale medical equipment in China. PRC healthcare administrative authorities set quotas for large-scale medical equipment, and medical institutions must obtain the License for the Deployment of Large-scale Medical Equipment prior to the procurement of any such equipment. Specifically, pursuant to the Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (For Trial Implementation) (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 and came into effect on the same day, the PRC government regulates large-scale medical equipment through the classified and hierarchical allocation plan and through the issuance of License for the Deployment of Large-scale Medical Equipment according to the Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2023) (關於發佈大型醫用設備配置許可管理目錄(2023年)的通知) ("the Catalog"). The Catalog divides large-scale medical equipment into Class A and Class B. The large-scale medical equipment under Class A, such as heavy ion and proton radiotherapy systems and high-end radiotherapy equipment, shall be deployed and managed by the NHC with License for the Deployment of Large-scale Medical Equipment issued by it, while the large-scale medical equipment under Class B, such as PET/MR systems, PET/CT scanners, laparoscopic surgery systems and conventional radiotherapy equipment, shall be deployed and managed by provincial healthcare administrative authorities and with License for the Deployment of Large-scale Medical Equipment issued by such authorities. For certain of the medical equipment that we intend to install and operate in our medical institutions, we will need to obtain License for the Deployment of Large-scale Medical Equipment from the NHC or provincial level healthcare administrative authorities. We may not be able to obtain such licenses in a timely manner or at all, which could delay or prevent the opening of our planned medical institutions, and could materially adversely affect our results of operations and growth strategy.

We have submitted the application for the License for the Deployment of Large-scale Medical Equipment for our proton equipment at the proton center of Guangzhou Hospital on November 24, 2023. In addition, the registration application for the Registration Certificate for Medical Device for the proton therapy equipment is expected to be submitted by the equipment supplier in January 2024 after the completion of the clinical trial in December 2023, and it is expected to be obtained in early 2024. If we fail to obtain the licenses for our proton therapy systems under deployment or we plan to deploy, our business and prospects would be materially and adversely affected. In addition, if such quota for proton therapy treatment systems increases after we obtained our licenses, we may lose our competitive advantage in the field of proton therapy, and our business, results of operations and financial condition could be materially and adversely affected.

The Administrative Rules on Clinical Application of Proton and Heavy Ion Accelerator Radiation Therapy Technology (2022) (質子和重離子加速器放射治療技術臨床應用管理規範(2022年版)) was promulgated by the NHC on March 30, 2022 and came into effect on the same day. These rules set out the minimum requirements for medical institutions and their medical staff to provide proton and heavy ion radiation therapy. These requirements include, among other things, that medical institutions that are eligible for providing proton and heavy ion radiation therapy must, among others, meet the following requirements: (1) the medical institutions' technology of proton or heavy ion radiotherapy shall be suitable to their functions, tasks and technical capacities, (2) the existing medical institutions shall have 10 or more years of experience in treating tumors using the IMRT and at least 10,000 tumor patients annually, (3) the medical institutions shall have the Radiodiagnosis and Radiotherapy Permit (放射診療許可證), the Radiation Safety Permit (輻射安全許可證) and other relevant qualification certificates, (4) a radiation therapy department equipped with diagnostic imaging equipment such as 4D-CT simulator, image-guided linear accelerator with multi-leaf grating, reverse radiotherapy planning system, complete set of quality assurance and quality control equipment, shall have 10 or more years of experience in IMRT work, have three or more years of experience in the technology of 3D image-guided intensity modulated conformal radiotherapy, and at least 2,000 radiotherapy patients annually, (5) the diagnostic imaging department of the medical institution shall have five or more physicians with over 10 years' experience in imaging diagnosis (including nuclear medicine) and equipped with medical image management system and diagnostic imaging equipment such as MRI, CT and other imaging diagnosis equipment, and (6) other requirements for personnel. These rules will apply to any proton or heavy ion radiation therapy treatment centers that we or our partnered hospitals may build and operate in the future, including our Guangzhou Hospital and Shanghai Hospital. We cannot assure that all of our planned proton centers will be able to obtain regulatory approval in the future, or that the regulatory review standards will remain the current level of scrutiny. If more medical institutions are determined by the NHC as eligible for providing proton and heavy ion radiation therapy services, we might face more intensive competition in the field of proton therapy and our business and prospects could be materially and adversely affected.

**If we fail to properly manage our physicians and other medical professionals, we may be subject to penalties, which could materially and adversely affect our business, results of operations and financial condition.**

The practicing activities of physicians and other medical professionals are strictly regulated under the PRC laws and regulations. Physicians, nurses and medical technicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered. See "Regulatory Overview—Regulations on Medical Practitioners of Medical Institutions." In practice, it takes some time for physicians and other medical professionals to transfer their licenses from one medical institution to another or add another medical institution to their permitted practicing institutions. We cannot assure you that the physicians and other medical professionals of our medical institutions will complete the transfer of their licenses and related government procedures timely or at all. In addition, we cannot assure you that the medical professionals at our medical institutions will always strictly follow the requirements and will not practice outside the permitted scope of their respective licenses. Any failure by our medical institutions to properly manage the employment of their physicians and other medical professionals may subject us to administrative penalties, which could materially and adversely affect our business.

In addition, we must obtain a Radiation Safety Permit as required by the Ministry of Environmental Protection and Ministry of Ecology and Environment, and a Radiodiagnosis and Radiotherapy Permit from the competent healthcare administrative authorities to operate the medical equipment that contains radioactive materials or emit radiation during operation. A License for Radiation Personnel (放射工作人員證) from the relevant healthcare administrative authorities is also required for each medical technician who operates such equipment. Any failure to obtain approvals or renewals of these licenses from the competent authorities could delay the installation, or interrupt the operation, of our medical equipment in our medical institutions, which could materially adversely affect our business, results of operations and financial condition.

**Any failures or defects in our medical equipment or any failure by the medical professionals to properly operate our medical equipment could subject us to liability claims.**

Our business exposes us to liability risks inherent in operating complex medical equipment, which may contain defects or experience failures. We rely to a certain degree on equipment manufacturers to provide adequate technical training on the proper operation of our complex medical systems to responsible medical professionals. If the medical professionals responsible for the equipment operation are not properly and adequately trained by the equipment manufacturers or by us, they may misuse or ineffectively use the complex medical equipment in our owned medical institutions and partnered hospitals. The medical professionals may also make errors in operating the complex medical equipment even if they are properly trained. Any medical equipment defects or failures, or any failures of the responsible medical professionals to properly operate the medical equipment, could result in unsatisfactory treatment outcomes, patient injury or possibly death. We or our partnered hospitals may be made a party to any such liability claim. Any such claim, regardless of its merit or eventual outcome, could result in significant legal expenses, harm our reputation, and otherwise materially and adversely affect our business, results of operations and financial condition.

Significant downtime associated with maintaining or repairing medical equipment in our medical institutions would result in our inability to provide services, especially cancer treatment services, with patients in a timely manner. We primarily rely on equipment manufacturers or third-party service companies for maintenance and repair services. The failure of manufacturers or third party service companies to provide timely repairs could interrupt the operation of our medical institutions for extended periods of time. Such extended downtime could result in lost revenue, dissatisfaction of our patients and our partnered hospitals, and damage to the reputation of our brand.

**If the quality of pharmaceuticals, medical consumables and other medical equipment used by our medical institutions does not meet the required standards, we could be exposed to liabilities and our business and reputation could be adversely affected.**

The provision of oncology healthcare services involves the frequent use of a variety of pharmaceuticals, medical consumables and medical equipment, substantially of which we procure from suppliers we do not have control over. We cannot assure you that all supplies are authentic, free of defects and meet the relevant quality standards. If these supplies are subsequently found to have been defective at the time of the supply, even though we did not know or could not have known about such defect, we may be subject to liability claims, negative publicity, reputational damage or administrative sanction, any of which may adversely affect our business and reputation. We cannot assure you that significant claims of such nature will not be asserted against us in the future, and that adverse verdicts will not be reached or that we will be able to recover losses from our suppliers. In addition, we cannot assure you that we will be able to find suitable replacement suppliers, failing which our business, results of operations and financial condition will be adversely affected.

**We rely on a limited number of qualified equipment manufacturers.**

Much of the medical equipment in our medical institutions is highly complex and produced by a limited number of qualified equipment manufacturers. In addition to our internal medical equipment operation trainings, these equipment manufacturers also provide training on the proper operation of our medical equipment, as well as maintenance and repair services for such equipment. Any disruption in the supply of medical equipment or services from these manufacturers, including as a result of failure by any such manufacturers to obtain requisite third-party consents and licenses for the intellectual property used in the equipment they manufacture, may delay the development of our existing and planned medical institutions. Any such disruption could also negatively affect the operations of our medical institutions, which could materially adversely affect our business, results of operations and financial condition.

**Our business may be harmed by technological and therapeutic changes or by shifts in physicians' or patients' preferences for alternative treatments.**

The healthcare service industry is characterized by frequent improvements and evolving technology. As technological advances in the healthcare service industry continue to evolve rapidly, new services and equipment may arise and our success will depend on the ability of our medical institutions to adapt to such technological changes, which could incur significant expenditures and require licenses or other regulatory approvals. However, we cannot guarantee that we will stay at the forefront of our industry in terms of technology or medical resources. Some of our competitors may have greater resources to respond to these technological changes than we do. If our medical institutions fail to adapt successfully to technological changes or fail to obtain access to new technologies in a timely manner, their ability to compete could be strained, and as a result, our business, results of operations and financial condition will be materially and adversely affected. There can also be no assurance that we will be able to recover the expenditures associated with responding to the technological changes. If we fail to continuously upgrade our medical equipment following the adaption of new technologies, our business and long-term competitiveness could be adversely affected.

In particular, as one of the few private medical institutions in China owning multiple proton therapy treatment rooms, according to the F&S Report, we rely on our proton therapy technologies and medical resources to maintain our competitive position in the market. The introduction of disruptive technological and medical breakthroughs by our competitors may present additional threat to our success in the target market. If we fail to timely incorporate such technologies or fail to cost-effectively modify our business model to adjust for the new technology, we may lose our competitive position in the industry. In addition, rapid technological improvements could, at times, lead to earlier-than-planned obsolescence or redundancy of equipment and result in impairment charges, which may materially and adversely affect our results of operations.

Furthermore, the treatment of oncology patients is especially subject to potentially revolutionary technological and therapeutic changes. There may be significant advances in other oncology treatment methods, such as chemotherapy, surgery, interventional radiology, biological therapy, or cancer prevention techniques, which could reduce the demand or even eliminate the need for radiation therapy treatment in which we specialize. Patients and physicians may also choose alternative cancer therapies over radiation therapy due to any number of reasons. Any shifts in physicians' or patients' preferences for other oncology therapies over radiation therapy may materially and adversely affect our business, results of operations and financial condition.

**The technology used in some of our radiation therapy equipment, particularly our body gamma knife and our proton therapy system, may not gain sufficient acceptance. We may not be able to provide related treatment services in a safe, effective, scalable or profitable manner.**

The technology in some of our radiation therapy equipment, such as the body gamma knife system and the proton therapy system, has been in use clinically in a limited manner for various reasons. For instance, the international medical community has not yet developed a large quantity of peer-reviewed literature that supports their safe and effective use, especially for certain types of cancer. As a result, such technology may not gain acceptance by physicians and patients or may lose any acceptance previously gained if negative information concerning their effectiveness or safety emerges. In particular, we have concentrated our efforts on the clinical application of proton therapy by purchasing proton therapy equipment, constructing proton therapy centers and conducting related medical research and development. We did not provide clinical proton therapy treatment service as of the Latest Practicable Date. Because proton therapy is based on novel radiation technologies and represent emerging approaches to cancer treatment, we are subject to a number of risks and challenges in the development and commercialization of our proton therapy services, including but not limited to:

- obtaining regulatory approval;
- achieving cost efficiencies in the scale-up of our proton therapy treatment capacity;
- developing protocols for the safe administration of our proton therapy treatment; and
- educating medical professionals regarding our proton therapy technologies.

The installment, adjustment and clinical trial processes for proton therapy systems can be lengthy and costly, with unpredictable outcomes, and we may not be able to develop our proton therapy technology or provide proton therapy treatment services in a manner that is safe, effective, scalable or profitable.

As our agreements with medical manufacturers do not directly address such contingencies, we cannot assure you that they will allow us to return their equipment or will otherwise reimburse us for losses that we may suffer under all such circumstances. Since each unit of our medical equipment represents a significant investment, any of the foregoing could materially adversely affect our business, results of operations and financial condition.

**The operations of our medical institutions are susceptible to fluctuations in the costs of medical equipment and associated software, pharmaceuticals and medical consumables, which could adversely affect our profitability and results of operations.**

The profitability of our medical institutions is influenced by fluctuations in the costs of medical equipment and associated software, and also pharmaceuticals and medical consumables. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our cost of medical equipment and software was RMB16.7 million, RMB188.2 million, RMB176.0 million, RMB26.7 million and RMB95.4 million, respectively, representing 10.5%, 36.4%, 28.6%, 11.6% and 29.8% of our total cost of revenue for the same periods, respectively. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our cost of pharmaceuticals, consumables and other inventories was RMB38.3 million, RMB75.1 million, RMB103.5 million, RMB42.2 million and RMB57.3 million, respectively, representing 24.1%, 14.5%, 16.8%, 18.4% and 17.9% of our total cost of revenue for the same periods, respectively.

The availability and prices of medical equipment, pharmaceuticals and medical consumables can fluctuate from time to time and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect the procurement costs or cause a disruption in the supply. Consistent with industry practice, we and our medical institutions have not entered into any long-term supply agreements with our suppliers, and we cannot assure you that our medical institutions will be able to anticipate and react to changes in medical supply costs in the future by locating replacement suppliers or adjusting service offerings, or that our medical institutions will be able to recoup such cost increases. Any of these factors may have a material and adverse effect on our profitability and results of operations.

**We are exposed to inherent risks of medical disputes, medical incidents and legal proceedings arising from our operations, which could result in significant costs and materially and adversely affect our business and reputation.**

We rely on the physicians and other medical professionals of our medical institutions to make proper clinical decisions regarding the diagnoses and treatment of their patients. However, we do not have direct control over the clinical activities of our medical institutions or over the decisions and actions taken by the physicians and other medical professionals, as their diagnoses and treatments of patients are subject to their professional judgment and, in most cases, must be performed on a real-time basis. Any incorrect decisions or actions on the part of the physicians and other medical professionals, or any failure by our medical institutions to properly manage their clinical activities may result in undesirable or unexpected outcomes, including complications, injuries and even deaths in extreme cases. Our medical institutions are especially exposed to heightened risks from the treatment of complex medical conditions of cancer patients, which typically have variable outcomes. In addition, there are inherent risks associated with the clinical activities that may result in unavoidable and unfavorable medical outcomes. Although part of the liability for any such incidents may rest with our medical professionals, we may be made a party to any such liability claim. Regardless of the merit or eventual outcome, these claims could result in significant legal expenses, harm our reputation, and otherwise materially and adversely affect our business, results of operations and financial condition.

In recent years, physicians, hospitals and other healthcare service providers have become subject to an increasing number of patient complaints, claims and legal proceedings alleging malpractice or other causes of action. Incidents have occurred in hospitals and medical institutions in the past where dissatisfied patients carried out extreme actions or even violence during the course of the disputes. Any such incident, if occurs, would harm our reputation, impair the ability of our medical institutions to recruit and retain medical professionals and staff, discouraging other patients from visiting our medical institutions, and cause us to incur substantial costs.

As of the Latest Practicable Date, we had two ongoing medical disputes in China involving a patient of Shanghai Outpatient Center and a patient of Guangzhou Hospital, respectively. For the two lawsuits initiated in May 2020 and July 2023, respectively, based on the amount claimed by the plaintiffs in the complaints and the latest development of such medical disputes, we estimate that the aggregate maximum exposure in relation to our unresolved medical disputes will not exceed RMB0.5 million and RMB0.1 million, respectively. Our Directors are of the view that our unresolved medical disputes would not have any material adverse effect on our business, results of operations and financial condition. See "Business—Legal Proceedings and Compliance—Legal Proceedings" for details. Despite our efforts in improving service quality, we cannot guarantee our medical institutions will not be subject to medical disputes or that they can successfully prevent or address all medical disputes in the future. We may choose to settle with the dissatisfied patients in order to minimize the negative impact on our reputation and operations. Any medical disputes, medical incidents and legal proceedings of similar nature, regardless of merit, could result in significant legal costs, diversion of medical professionals' and management's resources and reputational damage to us, which may in turn materially and adversely affect our business, results of operations and financial condition.

In addition, we had two ongoing contract litigations as of the Latest Practicable Date, including (1) one litigation initiated by our contractor against us related to the amount and payment of the renovation expenses with an alleged amount of approximately RMB1.7 million for the renovation of Guangzhou Outpatient Center; and (2) one litigation initiated by our contractor against us related to the payment of the equipment supply and software system installment expenses for Guangzhou Hospital with an alleged amount of approximately RMB6.9 million, for which we have entered into settlement agreement with such contractor as of the date of this document. Our Directors are of the view that such unresolved dispute would not have any material adverse effect on our business, results of operations or financial condition. See "Business—Legal Proceedings and Compliance—Legal Proceedings" for details. Legal proceedings or claims against us, regardless of their outcomes, could harm our reputation, divert our management's attention and cause us to incur a substantial amount of legal expenses. If the outcomes of these legal proceedings are unfavorable to us, we could face significant legal liabilities and suffer financial or reputational damages, which could materially and adversely affect our business, results of operations and financial condition.

**We may not carry adequate insurance for our medical professionals and other liabilities which may arise in our business, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.**

We are exposed to potential liabilities that are inherent to the provision of oncology healthcare services. We maintain medical liability insurance for all of our self-owned hospitals and out-patient departments, renewable on an annual basis. We also maintain property insurance, business interruption insurance and physician liability insurance for some of our medical institutions. We do not maintain keyman life insurance and insurance policies covering damages to our technical infrastructure, which we believe is consistent with industry practice in China. See "Business—Insurance." We may face liabilities that exceed our available insurance coverage or which arise from claims outside the scope of our insurance coverage. We did not have insurance to cover the compensation paid for medical incidents that occurred prior to when the coverage of our current liability insurance began. We may also experience gaps in coverage when seeking to renew our insurance policies or seeking to change insurance providers. We cannot assure you that we will be able to renew our insurance coverage at a reasonable cost, if at all, or that we will not incur uninsured losses and liabilities. Insurers may also dispute or refuse to honor our claims for a variety of unforeseen reasons beyond our control. Furthermore, we may experience business disruption arising from litigation, natural disaster or other reasons, which may not be fully covered by our insurance policies. Any significant uninsured loss could have a material and adverse effect on our business, results of operations and financial condition.

**We depend on the continued service of our senior management and other key personnel. Our inability to attract, retain and motivate such personnel could materially and adversely affect our business and growth prospects.**

We have been, and will continue to be, heavily dependent on the continued services of our senior management team, including, among others, Dr. Yang and Ms. FU Xiao, as well as other key personnel, such as our medical experts, including, among others, Professor QIAN Chaonan, Professor FU Shen and Professor LI Zuofeng, for the continued growth of our business. If our recruitment and retention efforts are unsuccessful, it may be more difficult for us to execute our business strategy.

We may not always make a similar smooth transition if any executive officers or key personnel leave us in the future. Competition for competent candidates in the industry is intense, and the pool of competent candidates is limited. If we lose the services of one or more of our key personnel, we may not be able to locate suitable or qualified replacements easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our results of operations and financial condition could be materially and adversely affected. If any member of our senior management team or key personnel joins a competitor or forms a competing business, we may lose know-how, trade secrets, patients and key professionals and staff. We have entered into employment agreements and confidentiality agreements with the key members of our management team and certain key personnel. We cannot assure you, however, the extent to which any of these agreements will be enforceable under the applicable laws.

**We have derived, and expect to continue to derive, a significant portion of our revenue from our hospital business in Shanghai and Guangzhou, and may be particularly sensitive to further developments in such regions.**

During the Track Record Period, we derived a significant portion of our revenue from the operations of our hospital business in Shanghai and Guangzhou. Going forward, we expect that a large part of our revenue from our hospital business will remain dependent on our operations in Shanghai and Guangzhou. We are therefore highly sensitive to the regulatory, economic, environmental and competitive conditions, and the public health landscape in Shanghai and Guangzhou. In addition, the business of our medical institutions may also be materially and adversely affected by the economic conditions in these regions if such conditions result in patients cutting back on spending on oncology healthcare services. The average spending power of the population or the economic growth rate in Shanghai and Guangzhou may affect the demand for medical services, especially for the premium oncology healthcare services in private hospitals, and our results of operations and profitability may be adversely affected. Furthermore, further amendments and changes in the laws and regulations governing the healthcare industry in Shanghai and Guangzhou, such as those in relation to the medical professional licensing system, qualification and compliance requirements for medical institutions, may have a material effect on our business operations.

**Failure to maintain and predict inventory levels in line with demands of our hospital business and sales and installing of medical equipment and software could cause us to lose sales or face excess inventory risks and holding costs.**

Our inventories primarily consisted of medicine, medical materials, medical equipment, medical software and low-value consumables. We maintain an inventory level based on anticipated demands for the use of our own medical institutions. For 2020, 2021, 2022 and the six months ended June 30, 2023, our inventory turnover days were 28 days, 21 days, 36 days and 36 days, respectively. We cannot guarantee that we will be able to maintain proper inventory levels. Inventory levels in excess of our business demands may result in inventory write-downs, expiration of products and increase in inventory holding costs. Conversely, we may experience inventory shortages if we underestimate our business demands, which may result in shortage of medicine and medical materials for the use of our medical institutions or unfilled orders for our sales and installing of medical equipment and software, and have a negative impact on our clinical services to patients and our relationship with customers. To manage our inventory level, we implemented certain measures. See "Business—Our Suppliers, Procurement and Inventory." However, we cannot assure you that these measures will be effective and our inventory level will decrease in the future. If our inventory level increases further in the future, our financial condition and cash flow could be materially and adversely affected.

**Our business is subject to seasonality.**

The first quarter of a calendar year usually sees fewest patient visits, both inpatient and outpatient, mainly due to the Chinese New Year. The fourth quarter is usually the busiest quarter during the year, as most patients, especially patients from the rural areas, will have more free time to visit hospitals. Our partnered hospitals are subjected to seasonality of patient traffic as well. There is also a concentration of revenue generated from our sales and installing of medical equipment and software in the fourth quarter, primarily because most of the hospitals generally receive financial appropriations and make procurement budget plans for medical equipment in the fourth quarter. According to the F&S Report, such sales pattern is in line with industry norm. As a result, our operating and financial results for an interim period may not be representative of our overall performance. In addition, our costs and expenses do not necessarily correspond with the timing of our revenue recognition. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition, which could result in volatility and adversely affect the price of our H Shares.

**Our historical financial and operating results may not be indicative of the future performance, and we may not be able to achieve and sustain the historical level of revenue growth.**

Our past performance is not necessarily indicative of future results. For instance, a major reason for our revenue growth in 2020 and 2021 was the successful expansion of our medical equipment, software and related services, which in turn benefited from the increasing government subsidies to support public hospitals' procurement of large medical devices since 2020. However, such trend may not continue in the future. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our H Shares to decline. The effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our medical institutions, and many other factors may have a material adverse effect on our business, results of operations and financial condition. As we continue to introduce new initiatives and additional medical institutions to our business model, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth as we have achieved historically. We believe that period-to-period comparisons of our results of operations during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our results of operations or price of our H Shares.

**We may face challenges in integrating acquired businesses, which could result in operating difficulties, divert management's attention and harm our financial condition.**

We acquired Guangzhou Outpatient Center in April 2020. The integration and subsequent ramping up of this cancer clinic require significant attention, time and commitment from our management, as well as substantial operational, financial and other resources, in particular to ensure that the integration does not disrupt any existing operations or affect our patients' opinions and perceptions of our services and patient support. We cannot guarantee that we will be able to successfully integrate the medical institutions we own or manage, or be able to realize anticipated benefits or synergies, and we may incur costs in excess of what we anticipate. In addition, the anticipated benefits of our future expansion may not materialize. Furthermore, integrating a cancer hospital or center involves uncertainties and may result in unforeseen operating difficulties and expenditures associated with integrating employees from the acquired cancer hospital or center into our business and integrating accounting, information management, human resources, procurement or supply chain management and other administrative systems of each acquired cancer hospital or center to permit effective management. Failure to realize expected synergies, growth opportunities and other benefits from acquisitions could materially and adversely affect our business, results of operations and financial condition.

**Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, such as the COVID-19 pandemic, could prevent our medical institutions from effectively serving their patients and thus adversely affect our results of operations.**

Any occurrence of force majeure events, natural disasters or outbreaks of epidemics, including those caused by avian influenza, swine influenza, severe acute respiratory syndrome, or SARS, Middle East respiratory syndrome coronavirus, or MERS-CoV, Ebola, H5N1 avian flu and human swine flu, or Influenza A or H1N1, may restrict business activities in the areas affected and materially and adversely affect our business and results of operations. The outbreak of COVID-19 has endangered the health of many people residing in China and many other parts of the world and significantly disrupted travel and local economy. In light of the COVID-19 pandemic, patients who are not in severe conditions may choose to limit their visits to hospitals, especially for hospitalized services, if at all, during the pandemic. As a result of the regional resurgence of COVID-19, our Shanghai Imaging Center and Shanghai GP Clinic temporarily closed from April 2022 to May 2022, and our Shanghai Outpatient Center temporarily closed from April 2022 to June 2022. Our Datong Clinic closed a total of several days from July 2021 to April 2022. In addition, our Datong Hospital also temporarily closed from February 2020 to March 2020 and experienced decrease in patient visits and difficulties for employees to work on-site in October and November 2022 during the regional COVID-19 resurgence in Datong city. We experienced difficulties managing the daily operation of such medical institutions as a result of the temporarily closure amid the COVID-19 pandemic. Considering the risk of cross-infection during the provision of inpatient services, and patients' travel inconvenience amid the COVID-19 pandemic, our Datong Hospital experienced gradual cessation of inpatient services for patient referred from other hospitals based on the two-way referral mechanism within the regional medical consortium under the hierarchical diagnosis and treatment system in China, with the number of referred inpatient visits decreasing from 61 in the first quarter of 2020 to nil since the second quarter of 2020. In addition, as some of our construction service providers and suppliers of medical equipment and consumables are located in Shanghai, we have experienced temporary delay in the construction of Shanghai Hospital and temporary disruption of certain supply. We have also experienced certain negative impact of COVID-19 pandemic on our medical equipment, software and related services, primarily including (1) the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022, and (2) reduced offline marketing activities amid the regional COVID-19 resurgence, especially in Shanghai. If the impact of COVID-19, including subsequent outbreaks driven by new variants, is prolonged or further escalate, additional or even all of our operations could be disrupted or even temporarily suspended. We could also face sanctions, fines and claims against us if we fail to provide sufficient protection to our medical professionals during their treatment of COVID-19 patients. All of these factors could have a material adverse effect on our business, results of operations and financial condition.

An outbreak of contagious diseases and other adverse public health developments would have a material adverse effect on our business operations. These could include restrictions on the ability of our medical institutions to provide healthcare services, as well as cause temporary closure of our medical institutions. These events could also adversely affect our patients' demands for our service as they may choose not to go to the hospitals at all. Such closures or service restrictions would severely disrupt our operations and adversely affect our results of operations and financial condition.

Moreover, any future occurrence of natural disasters, such as earthquakes, floods and droughts, may materially and adversely affect the overall economic condition and our business. Wars, riots, terrorist attacks, geopolitical uncertainties or similar events could also cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us. In addition, regional conflicts and political turmoils, such as the Russia-Ukraine war, may result in sanctions or embargoes against a particular country or region, which could in turn negatively impact our business operations.

**Any negative publicity about us, our medical institutions or the healthcare service industry could harm our brand image and reputation, which could result in a material and adverse impact on our business and prospects.**

Our reputation is critical to our success in China's oncology healthcare service industry. We believe that our success and continued growth depend on the public perception of our reputation and our ability to protect and promote it. Many factors which are important to help maintain and enhance our image are beyond our control and may have a negative impact on our name and reputation. These factors include, among others:

- our ability to effectively control the quality and consistency of the services performed by our physicians and other medical professionals, and to monitor the service performance of such personnel as we continue to expand;
- our ability to offer a comfortable, convenient and consistently reliable patient experience as we expand our service offerings; and
- our ability to enhance our reputation and our brand awareness among existing and potential patients.

Negative publicity involving us, our medical institutions, or the healthcare service industry may materially and adversely harm the brand image and reputation of us or our medical institutions and cause deterioration in the level of market recognition of and trust in the services provided by our medical institutions, which could result in reduced patient visits and potential loss of business partners as well as physicians and staff. Such negative publicity may also result in diversion of management's attention as well as governmental investigations or other forms of scrutiny. These consequences may have a material and adverse effect on our business, results of operations and financial condition.

**Failure to comply with the PRC anti-corruption laws, regulations and rules could subject us and/or the physicians, other medical professionals and hospital administrators at our medical institutions to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, results of operations and financial condition.**

We have adopted policies and procedures designed to ensure that the physicians, staff and hospital administrators at our medical institutions comply with the PRC anti-corruption laws, rules and regulations. See

"Business—Risk Management and Internal Control—Anti-Corruption Risk Management." However, we operate in the healthcare sector in China, which poses elevated risks of violations of anti-corruption laws, rules and regulations. The PRC government has increased its anti-bribery efforts to reduce improper payments and other benefits received by physicians, staff and hospital administrators in connection with the purchase of pharmaceuticals, medical consumables, medical equipment and the provision of healthcare services. Although we have established anti-corruption policies and procedures and have not been subject to any government investigation relating to anti-corruption violations, there is no assurance that these policies and procedures will effectively prevent our non-compliance with the PRC anti-corruption laws, regulations and rules arising from actions taken by the individual physicians, staff and hospital administrators without our knowledge. If this occurs, we and/or the physicians, staff and hospital administrators may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, results of operations and financial condition.

**Most of our radiation therapy and imaging diagnosis equipment contains radioactive materials or emits radiation during operation. We may fail to deal with clinical and radioactive wastes in accordance with the applicable laws and regulations or otherwise be in breach of the relevant medical, health and safety or environmental laws and regulations.**

Most of the radiation therapy and imaging diagnosis equipment in our medical institutions, including gamma knife systems, proton therapy systems, linear accelerators and PET-CT systems, contain radioactive materials or emit radiation during operation. Radiation and radioactive materials are extremely hazardous unless properly managed and contained. As part of our normal business operations, we produce and store clinical and radioactive wastes, which may produce effects harmful to the environment or human health. The storage and transportation of such wastes are strictly regulated. See "Regulatory Overview—Regulations on Environmental Protection Related to Medical Institutions." Any accident or malfunction that results in radiation contamination could harm human beings, subject us to significant legal expenses and harm to our reputation.

Although equipment manufacturers and their staff may bear some or all of the liability and costs associated with any accidents or malfunctions, if we are found to be liable in any way we may also face severe fines, legal reparations and possible suspension of our operating permits. Any of the foregoing could materially adversely affect our business, results of operations and financial condition. In addition, certain of our medical equipment require the periodic replacement of their radioactive source materials. Our clinical and radioactive wastes disposal services are outsourced. We do not directly oversee the handling of radioactive materials during the replacement or reloading process or during the disposal process. Any failure of relevant service provider or us to handle or dispose of such radioactive materials in accordance with PRC laws and regulations may adversely affect the operation of such medical institutions.

Our business is generally subject to laws and regulations relating to the environment and public health. If the applicable laws and regulations are further amended and changed and become more stringent, we could incur additional compliance costs which could in turn have a material adverse effect on our business, results of operations and prospects. Failure to comply with applicable regulations in China could also result in us being held liable or penalized, and any of our licenses, permits, approvals and certificates could be suspended or withdrawn by the relevant PRC government authorities. For instance, our Datong Hospital obtained the License for Discharge of Urban Sewage into the Drainage Network (城鎮污水排入排水管網許可證) on May 13, 2022, which is effective until May 12, 2027. We may nevertheless be subject to fines retrospectively for the drainage of our Datong Hospital prior to obtaining such license. We estimate that the relevant maximum penalty we may be subject to is approximately RMB500,000, which we believe would not have a material adverse effect on our business. We cannot assure you that we or any of our medical institutions will not be subject to the administrative actions or penalties relating to the environment and public health in the future. Any of these actions or penalties may have a material adverse effect on our business, results of operations and financial condition.

Health and safety risks are inherent in the services we provide and are constantly present in our hospitals. A health and safety incident could be particularly serious, as the patients at our medical institutions may be dependent persons and therefore highly vulnerable. Some of our activities are especially vulnerable to medical risks, including the transmission of infections to employees and patients and the prescription and administration of drugs. Our business operations are also exposed to risks relating to health and safety, primarily in respect of food and water quality, fire safety and the risk that patients may cause harm to themselves, other patients or our employees. If any of the above medical or health and safety risks were to materialize, it could have a material adverse effect on our brand and reputation.

**Compliance with advertising laws, rules and regulations may be difficult, and any non-compliance could subject us to government sanctions.**

We are obligated to ensure all of our advertising content complies with applicable laws and regulations. For advertisements related to certain types of products and services, we are required to confirm that the advertisers have completed filings with local authorities and obtained all requisite government approvals. According to the relevant PRC laws and regulations, our medical institutions need to obtain a Medical Advertisement Examination Certificate (醫療廣告審查證明) before publishing a medical advertisement, and we also need to obtain an advertisement approval number before publishing a medical device advertisement. Violation of these regulations may result in penalties, including rectification, orders, warnings, suspension of operations, revocation of relevant permits to engage in the provision of specific medical services, and the revocation of business licenses and the Medical Institution Practicing License. In addition, if the content of the published advertisement deviates from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and suspend any application for advertisement examination for one year.

We may apply for the Medical Advertisement Examination Certificate and the approval documents if we have advertising needs for our business development in the future. Although we have made efforts to ensure our advertisements and related advertising practices are in compliance with applicable regulations, we cannot assure you that we will be able to fully comply with the requirements of PRC regulatory authorities regarding advertising. If we are punished with serious penalties, we may not be able to publish new advertisements in a timely manner, and our business and reputation could be materially affected. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation and negatively affect our results of operations.

**We may not be able to conduct our marketing activities effectively, properly or at reasonable costs.**

We conduct a variety of marketing and brand promotion efforts designed to enhance our brand recognition and educate cancer patients of the high-quality, patient-oriented cancer diagnosis and treatment services we provide. However, our marketing and brand promotion activities may not be well received and may not result in improved operating and financial performance that we anticipate. Additionally, marketing approaches and strategies in the China's healthcare service industry are continuously evolving, which may further require us to experiment with new marketing methods to keep pace with industry developments. Failure to refine our existing marketing strategies or to introduce new marketing strategies in a cost-effective manner may materially and adversely affect our business, results of operations and financial condition.

**We may not be able to adequately protect our intellectual property rights, which could harm our brand image and our business.**

We believe our patents, trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include our patents and copyrights in relation to cancer diagnosis and treatment and our trademarks. We are susceptible to infringement of our intellectual property rights by third parties. We cannot assure you that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorization. Our efforts to enforce or defend our intellectual property rights may not be adequate. We may have to initiate legal proceedings to defend the ownership of our intellectual property rights against any infringement by third parties, which may be costly and time-consuming, and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome. Furthermore, the outcome of any legal actions to protect our intellectual property rights may be uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition and results of operations may be adversely affected.

In addition, other parties may register trademarks which may look similar to our registered trademarks under certain circumstances, which may cause confusion among patients. We may not be able to timely prevent other parties from using trademarks that are similar to ours, and the patients may confuse our medical institutions with others using similar trademarks. In such case, the goodwill and value of our trademarks and the public perception of our brand image may be adversely affected. A negative perception of our brand image could have a material and adverse effect on our business, results of operations and financial condition.

**We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur legal expenses and, if determined adversely against us, may materially disrupt our business.**

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. Defense against any of these claims would be both costly and time-consuming, and could divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to liabilities to third parties, require us to seek consents or licenses from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision and marketing of the relevant brand or services. To the extent that such consents or licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies or rebranding our services, if any, or we may be forced to delay or suspend the relevant services or the promotion of the relevant brand. We may incur expenses and require attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in reduced patient visits. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, results of operations and financial condition could be materially and adversely affected.

In addition, certain software we currently use for our operations are licensed to us by external vendors. There is no assurance that we will be able to renew all or any of these licenses at commercially reasonable terms, or at all. If any of the licensors decides to discontinue their licensing arrangement with us, we may be required to spend considerable time and resources sourcing alternative technologies, which may not be readily available. Otherwise, we may be forced to delay or suspend the relevant services or our brand promotion activities. In any such case, our business operations may be adversely affected.

**If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.**

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, medical disputes, patient safety, quality control, information management, environmental matters, product liability, tax declaration, breach of contract, employment or labor disputes and infringement of intellectual property rights. Ongoing or threatened litigation, legal or contractual disputes, governmental investigations or administrative proceedings involving us or our employees may divert our management's attention, and result in damages, liabilities and legal and other costs. Furthermore, any litigation, legal or contractual disputes, governmental investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If the outcomes of these proceedings are unfavorable to us, we could be required to pay significant legal costs and monetary damages, assume legal and other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, governmental investigations or administrative proceedings may damage our reputation and adversely affect the image of our brand and services. As a result, our business, results of operations and financial condition may be materially and adversely affected.

**Our technologies may contain undetected errors or may not operate properly, which could adversely affect our business, results of operation and financial condition.**

We have self-developed our Internet Hospital to connect cancer patients with comprehensive healthcare resources. We also have launched our self-developed smart health workstation for the detection of key indicators for a variety of common and chronic diseases. In addition, our cloud platforms, Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform, Jiahe Yunying Remote Imaging Information Diagnosis Platform and Jiahe Cloud Asset Management Platform, are jointly developed with external developers to provide integrated cloud-based services for our enterprise customers. Technology development is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and consequently adversely affect our information infrastructure and other aspects of our business where our technologies are applied. If our solution does not function reliably or fails to achieve customers' and business partners' expectations in terms of performance, we may lose existing, or fail to attract new, customers or business partners, which may damage our reputation and adversely affect our business. In addition, software technologies evolve rapidly and involve uncertainties. If we fail to cater to technology trends and changing market demand, our Internet Hospital and the cloud platforms may be harmed, and our results of operations and financial condition could be materially and adversely affected.

Moreover, remote diagnosis and treatment services are complex and those we offer may develop or contain undetected defects or errors. Material performance problems, defects or errors in our existing or new software and services may arise in the future, and may result from factors that are beyond our control. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from utilizing our solution. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, results of operations and financial condition.

**The proper functioning of the network infrastructure and information technology systems is essential to our business operations, and any technological failure, security breach or other disruptions may adversely impact our business.**

The network infrastructure and information technology systems in our medical institutions, the cloud platforms and Internet Hospital help us manage and monitor the operational performance of our hospitals, such as billing, financial and budgeting data, patient records and inventory. We regularly maintain, upgrade and enhance the capabilities of information systems to meet operational needs. Any failure associated with the information systems, including those caused by power disruption or loss, natural disasters, computer viruses, hackers, network failures or other unauthorized tampering, may cause interruptions in the ability of our medical institutions, cloud platforms and Internet Hospital to provide services to their patients and customers, keep accurate records, and maintain proper business operations. In addition, if the information technology system relating to the billing and medical insurance reimbursements were to malfunction and result in the loss of related records, our medical institutions may not receive full payment under the public medical insurance programs, which could cause a material adverse impact on our business and results of operations. Any of the foregoing events may adversely affect our business, results of operations and financial condition.

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

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.

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, we had not been subject to these types of attacks that had materially and adversely affected our business operations. However, there is 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 or other participants of our ecosystem, 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 results of operations and financial condition.

**We face certain legal and regulatory risks relating to laws and regulations on social insurance and housing provident fund.**

Pursuant to the relevant PRC laws and regulations, employers are obligated to contribute to the social insurance and housing provident fund for their employees. During the Track Record Period, we did not make adequate social insurance and housing provident fund contributions for certain employees or make timely registration with the relevant social insurance or housing provident fund authorities, primarily due to the oversight and lack of comprehensive understanding by the responsible staff of the relevant local regulations. Pursuant to the relevant PRC laws and regulations, if any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance. In addition, if any of the relevant housing provident fund authorities is of the view that our contributions to the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, we may be subject to an order from the relevant PRC courts for compulsory enforcement. We estimate that the accumulated shortfall of social insurance and housing provident fund contributions as of December 31, 2020, 2021, 2022 and June 30, 2023 was approximately RMB1.7 million, RMB3.7 million, RMB4.7 million and RMB5.0 million, respectively, which we believe would not have a material adverse effect on our business. As a result, we did not make any provisions in connection with the foregoing incident during the Track Record Period. Moreover, considering that (1) we have obtained confirmations from the relevant competent government authorities, confirming that no administrative penalty was imposed on us in relation to our social insurance and housing provident fund contributions during the Track Record Period; (2) during the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalty in relation to social insurance and housing provident fund contributions, and we had not received any notice from relevant competent government authorities regarding any claim for inadequate contributions of our current and former employees, nor any notifications from the relevant competent government authorities requiring us to pay the shortfalls; (3) we were not aware of any material employee complaints or claims with respect to inadequate social insurance and/or housing provident fund contributions; (4) we have been communicating with the competent government authorities and undertake that, in the event that competent government authorities require us to make contributions within a stipulated time period or make supplementary contributions and late fees, we will duly comply in a timely manner; and (5) as of the Latest Practicable Date, we have made full payment of the social insurance and housing provident fund contributions for all of our employees, our PRC Legal Advisor is of the view that the likelihood that the relevant competent government authorities would impose fines on us due to our failure to make full payment of the social insurance and housing provident funds during the Track Record Period is low, as long as we make the outstanding contributions and late fees, if any, within a prescribed time period upon request from the competent government authorities. However, we cannot assure that the relevant local government authorities will not require us to pay the outstanding amount within a specific time limit or impose late or additional fees or fines on us, which may materially and adversely affect our results of operations and financial condition.

In addition, during the Track Record Period, we engaged third-party human resource agencies to make social insurance and housing provident fund contributions for certain employees, primarily due to the preference of such employees to participate in local social insurance and housing fund schemes in their place of residency in which we did not establish any entity. Under the contracts entered into between such third-party human resources agencies and us, such agencies have the obligations to pay social insurance and housing provident fund for our relevant employees. These agencies have confirmed in writing that they have make timely and full payment of social insurance and housing provident fund contributions for relevant employees in accordance with the relevant contracts signed with us, and there is no underpayment, omission or failure to make such contributions in time. Our entities that engaged third-party human resource agencies to make social insurance and housing provident fund contributions during the Track Record Period have obtained confirmations from the relevant competent government authorities to the effect that no administrative penalty was imposed on us in relation to social insurance and housing provident funds during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalty regarding our arrangement with third-party human resources agencies, nor any notice from the relevant competent government authorities which required us to rectify such practice. In addition, we had not been subject to any labor dispute relating to such arrangements as of the Latest Practicable Date. As such, our PRC Legal Advisor is of the view that the likelihood that the relevant competent government authorities would impose fines on us due to our arrangements with the third-party human resource agencies is low, as long as we make the outstanding contributions and late fees, if any, within a prescribed time period upon request from the competent government authorities. In addition, if the third-party human resource agencies fail to make timely and full payment of social insurance and housing provident fund contributions for relevant employees in accordance with the relevant contracts, we have the right to pursue corresponding liability for breach of contract against such agencies in accordance with the relevant contracts. However, we cannot assure you that the relevant government authorities will not require us to adjust or rectify our arrangements with the third-party human resource agencies, which may subject us to labor disputes or government investigations. In addition, if the agencies fail to fulfill their obligations to make the social insurance and housing provident fund contributions for the relevant employees, we may be subject to additional contribution obligations, late payment fees and/or penalties imposed by relevant regulatory authorities for failing to discharge our obligations as an employer or be ordered to rectify. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

**Any defect in our leases, non-renewal of our leases, or substantial increase in rent may adversely affect our business, results of operations, financial condition and prospects.**

We had entered into long-term lease agreements for some of our medical institutions with a term of five years or more. Under the lease agreements, in the event of certain material breaches by us, such as non-payment of rent, our lessors may enforce their rights to terminate the lease agreements. To the extent we need to terminate the lease and relocate prior to the expiration of the lease term, we may face termination fees or be liable for breach of contracts. Meanwhile, for those locations that we want to continue our presence, we may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms, or at all. Furthermore, our lessor for two of our leased properties have created security interests over the property in favor of certain financial institutions to obtain financing. We cannot assure you that the lessor will always have sufficient financial resources to serve the debt obligations secured by these two leased properties. If there is a default by such lessor under the terms of the relevant financing arrangements, which is beyond our control, the lender may exercise its right of foreclosure against the property, which may result in significant disruptions in our operations.

We cannot assure you that we will be able to enter into replacement leases or renew our leases on similar or commercially acceptable terms (including, without limitation, similar tenure and on similar rental charges) in the future, if at all. If we are required to relocate any of our medical institutions because we are unable to renew the relevant lease, such relocation would result in disruption in our operations and significant expenses. The availability of commercially attractive locations for our operations is important to our brand recognition, profitability and business expansion. If we are unable to maintain operations in such locations, our reputation, business, results of operations and financial condition may be materially and adversely affected.

Additionally, as of the Latest Practicable Date, certain of our leased properties from third parties had title defects that may adversely affect our ability to continue to use them in the future, including three leased properties for which the relevant lessors had not provided us with valid property ownership certificate documents. Such leased properties are used as our offices or staff accommodations. See "Business—Properties." If the lessors fail to perform its obligations under the lease agreements between the lessors and us due to any reason, including but not limited to its own non-compliance with relevant laws and regulations, government demolition or any other unforeseeable events, we may be unable to continue using such properties. As of the Latest Practicable Date, we had not received any challenges being made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. Although we do not expect to become subject to any fines or penalties if any of these leases are terminated as a result of challenges by third parties or government authorities for any of these title defects, we may be forced to relocate the affected leased properties and incur additional expenses accordingly. Although the premises are used for our offices or staff accommodations and comparable replacement sites are readily available in the market, if we fail to find suitable replacement sites in a timely manner or on terms commercially acceptable to us, our business and results of operations could be adversely affected.

Furthermore, as of the Latest Practicable Date, 19 of our lease agreements with third parties had not been registered or filed with the relevant PRC authorities. While failure to register an executed lease agreement will not affect its legality, validity or enforceability, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB190,000, which we believe is immaterial to our business operations. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our results of operations or financial condition.

**We may need additional capital, and we may not be able to obtain such capital in a timely manner or on commercially acceptable terms, or at all.**

We believe that our current cash and cash equivalents, bank and other borrowings, anticipated cash flow from operations, and the **[REDACTED]** from this **[REDACTED]** will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments we may decide to pursue. For instance, we plan to increase our bank borrowings to support our business plan. See "Business—Growth Strategies" and "Business—Our Future Expansion." If no sufficient bank borrowings can be obtained, our business plans may be negatively affected. Furthermore, the increase in bank borrowings may adversely affect our financial ratios, such as the current ratio and the quick ratio, as well as our business, results of operations and financial condition. See "Financial Information—Key Financial Ratios."

The amount and timing of such additional financing needs will vary depending on the timing of our hospital constructions, investments in our medical equipment, software and related services, and the amount of cash flow from our operations. To the extent that our funding requirements exceed our financial resources, we will seek additional financing or defer planned expenditures. If we raise additional funds through equity or equity-linked financings, your equity interest may be diluted. Alternatively, if we incur additional debt obligations, we may be subject to covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing, or require us to provide notice or obtain consent for certain significant corporate events. Our ability to obtain additional capital on commercially acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability of financial institutions, performance of the healthcare service industry in general, receipt of necessary PRC government approvals, and our operating and financial performance and investors' confidence in us in particular. We cannot assure you that future financing will be available in amounts or on terms commercially acceptable to us, or at all. In the event that financing is not available or is not available on terms commercially acceptable to us, our business, results of operations and financial condition may be adversely affected.

**Certain benefits and obligations are applicable to us under PRC tax laws, regulations and policies. Changes to such benefits or failure to fulfill such obligations may have an adverse effect on our results of operations and financial condition.**

Pursuant to the EIT Law and related regulations, enterprises which operate in China are generally subject to EIT at a statutory rate of 25% on the taxable profit, while enterprises recognized as a "high and new technology enterprise" (高新技術企業) ("HNTE") are entitled to a preferential tax rate of 15%. Our Company and Beijing Yundu Internet Technology Co., Ltd. ("Beijing Yundu"), and Beijing Healthingkon, which are our subsidiaries, were qualified as an HNTE in 2019 and renewed their HNTE status in 2022. Shenzhen Aohua Medical Technology Development Co., Ltd. ("Shenzhen Aohua"), one of our subsidiaries, was qualified as an HNTE since 2021. These entities are entitled to a preferential income tax rate of 15% for High and New Technology

Enterprise for three consecutive years from the year in which their High and New Technology Enterprise Certificates are issued, but since these entities did not make profits during the Track Record Period, they did not actually enjoy such preferential taxation. According to the relevant administrative measures, to qualify as an HNTE, our Company and subsidiaries must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as an HNTE is subject to review and renewal every three years by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification.

According to relevant laws and regulations promulgated by the State Council that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the "Super Deduction"). The SAT announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020. From 2021 onwards, the Super Deduction ratio has increased to 200%. We have made our best estimate for the Super Deduction to be claimed in ascertaining assessable profits. There is no assurance that we will continue to be qualified to enjoy the above-mentioned preferential tax treatments, or such treatments will not change in the future, which may have a negative impact on our business, results of operations and financial condition. In addition, some of our subsidiaries were also qualified as small-and-micro enterprises and subject to preferential tax treatments.

In addition, pursuant to applicable laws and regulations, we are subject to various taxes including enterprise income tax, value-added tax and withholding tax. We are also required to withhold and remit individual income tax for our employees. Any failure to properly pay the relevant taxes or withhold and remit the requisite amount may subject us to fines, late fees or other penalties. Failure to fulfill the obligations under the relevant tax laws and regulations could adversely affect our results of operations, financial condition and cash flows.

**We recorded a significant amount of intangible assets. If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.**

As of December 31, 2020, 2021, 2022 and June 30, 2023, we had intangible assets of RMB698.5 million, RMB902.3 million, RMB874.8 million and RMB861.9 million, respectively, which primarily consisted of goodwill, customer contracts, software, operating license, patents and technology, and development in progress for software. The value of goodwill is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss, which could in turn adversely affect our results of operations. Our intangible assets (other than goodwill) are generally amortized over their useful lives and assessed for impairment where an indication of impairment exists. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested impairment annually, irrespective of whether there is any indication that that they may be impaired. While we did not recognize impairment loss for our intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future. In particular, if any indicator of impairment exists, our intangible assets will be subject to quantitative testing and we may recognize impairment loss for our intangible assets, which could have a material adverse effect on our business, results of operations and financial condition. For details of our intangible assets, see Note 16 to the Accountants' Report in Appendix I to this document. Furthermore, our determination on whether intangible assets are impaired requires an estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our intangible assets may be impaired. The impairment of intangible assets could have a material adverse effect on our results of operations and financial condition. For more information regarding our impairment policy in relation to intangible assets, see Note 3 to the Accountants' Report in Appendix I to this document

**If we determine our deposits, prepayments and other receivables to be impaired, our results of operations and financial condition may be adversely affected.**

As of December 31, 2020, 2021, 2022 and June 30, 2023, our allowance for impairment of deposits, prepayments and other receivables amounted to RMB11.1 million, RMB9.1 million, RMB6.9 million and RMB6.2 million, respectively, which is primarily attributed to the impairment for deposits and other receivables. For details of our deposits, prepayments and other receivables, see Note 20 to the Accountants' Report in Appendix I to this document. Although our management's estimates have been made in accordance with information available to us, such estimates are subject to further adjustment if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of prepayments, other receivables and other assets becomes insufficient in light of any new information, we may need to provide an additional allowance for impairment, and therefore materially and adversely affect our business, results of operations and financial position.

**Our results of operations and financial condition may be adversely affected by fair value changes of financial liabilities at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.**

In 2020, 2021, 2022 and the six months ended June 30, 2023, we recognized financial liabilities at fair value through profit or loss of nil, RMB4.4 million, RMB3.6 million and RMB2.8 million, respectively, primarily relating to the embedded derivative component of the convertible bond. We applied discounted cash flow method to determine the underlying equity value of our Company and adopted option pricing method binomial model to determine the fair value of the convertible bond. Our financial liabilities at fair value through profit or loss were classified as level 3 instruments for financial reporting purpose. The related fair value measurement was based on significant unobservable inputs, including risk-free interest rate, volatility and stock price, the changes of which will lead to changes in the fair value. See Note 3.16 and Note 37 to the Accountants' Report in Appendix I to this document for details. As such, we are exposed to fair value change of financial liabilities at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.

**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 Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.**

Prior to and immediately following the completion of the **[REDACTED]**, our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the PRC Company Law, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

**Changes in international trade policies and trade barriers, or the escalation of trade tensions, may have an adverse effect on our business.**

During the Track Record Period, certain of our medical equipment were sourced overseas. In addition, we collaborated with overseas medical institutions in refining our oncology healthcare services. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. China's political relationships with those foreign countries and regions may affect the prospects of our relationship with third parties, such as suppliers and enterprise customers. We cannot assure you that our existing or potential partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. In the event that China and/or the relevant foreign countries impose import tariffs, trade restrictions or other trade barriers affecting the importation of our medical equipment, we may not be able to obtain a steady supply of necessary medical equipment at competitive prices, which may have an adverse effect on our business operations. In addition, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect market confidence and have a material adverse effect on our business, results of operations and, ultimately, the **[REDACTED]** of our H Shares.

In particular, recent international trade disputes between China and the United States, and the uncertainties created by such disputes may disrupt the transnational flow of goods and significantly undermine the stability of the global and Chinese economy, thereby harming our business. Political tensions between the United States and China have escalated due to, among other things, the COVID-19 pandemic, the National People's Congress' passage of Hong Kong national security legislation, sanctions imposed by the U.S. Department of Treasury on certain officials of Hong Kong and the central government of the PRC, and the Trump administration executive orders issued in August 2020 and the new executive order issued by the U.S. President in June 2021 which sought or seek to prohibit certain transactions with, or equity investment in, certain Chinese companies and their respective subsidiaries. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, prospects, results of operations and financial condition.

**Demand for our services is affected by macroeconomic and political conditions.**

Our operation and growth depend on various macroeconomic factors. Generally speaking, the increasing number of affluent population and the middle-class will stimulate the demand for private oncological services. The economic conditions may affect the willingness of customers to pay for our services. In such event, our patients may become less receptive to high-margin special services, such as our precision radiation therapy services, opt for more economic alternatives and cut back spending on treatments, procedures or services that are not considered medically necessary. As such, any adverse changes in economic conditions and consumer spending power may have a material adverse effect on our business, results of operations and prospects.

In addition, the overall affluence level and more importantly, the quality, of oncological services provided by public medical institutions are crucial to the performance in private oncological services industry. If the public sector is able to provide quality oncological services competitively, both in terms of fee levels and quality of services, it will affect the demand for oncological services provided by the private sector. In such events, our business, results of operations and prospects could be adversely affected.

Changes in international and regional political conditions could also adversely affect the macroeconomics, which in turn may adversely affect our business and financial performance. For instance, the China-U.S. relation has undergone a series of economic and political tensions since 2018, leading to the suspension of many international visiting scholar programs and related academic communications. In addition, while China and the United States reached a phase one trade deal in January 2020, the agreed terms have not been fully implemented and more trade talks are in discussion. The future development of the China-U.S. relation remains uncertain and any adverse development may adversely impact the scientific research and macroeconomics in the PRC and in turn adversely impact our business, results of operations and financial condition.

If we are unable to react to the changes in economic conditions and consumer spending power and preference in a timely manner, we may experience material and adverse effect on our business, results of operations and financial condition.

## RISKS RELATING TO CONDUCTING BUSINESS IN THE REGION WHERE WE OPERATE

**Changes in the economic, political and social conditions could have a material effect our business, results of operations and financial condition.**

We conduct all of our business operations in China. Accordingly, our business, results of operations and financial condition are, to a significant degree, subject to the economic, political and social conditions in China. Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic, political, and legal developments in the PRC. The overall economic growth is influenced by the governmental regulations and policies in relation to capital investments, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects.

In addition, the global macroeconomic environment is facing challenges. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions, and our business operations in the long term.

**Developments in the legal system could have a material effect on our business and operations.**

Our business and operations are primarily conducted in China and are governed by applicable PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the Chinese government has significantly enhanced China's legislation and regulations to provide protection to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve, there may be room for discretion in the implementation of these laws and regulations. As these laws and regulations are evolving in response to changing economic and other conditions, factors related to the application and implementation of these laws and regulations may affect our business, financial condition, results of operations and prospects.

**Our operations depend on the internet infrastructure and telecommunication network, which may not be able to support the demands associated with our continued growth.**

Our business depends on the performance and reliability of the internet infrastructure in China. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with the internet infrastructure or the telecommunications networks. We cannot assure you that these infrastructures will be able to support the demands associated with our continued growth in usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and internet services rise significantly, our gross margins could be adversely affected. In addition, if internet access fees or other charges to internet users increase, our user traffic may decrease, which in turn may significantly decrease our revenues.

**The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.**

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation administrative authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit a formal application, which will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for instance, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or our affiliated entities or their subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations, and we may not be able to recover our loss due to such misuse or misappropriation if the third party relies on the apparent authority of such employees and acts in good faith.

**We may be affected by currency exchange regimes and exchange rate fluctuations.**

Our revenue and expenses are substantially denominated in Renminbi, and the **[REDACTED]** from the **[REDACTED]** and any dividends we pay on our H Shares will be in Hong Kong dollars. Under China's existing foreign exchange regulations, following the completion of the **[REDACTED]**, we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements.

In the future, due to the potential amendments to relevant regulatory requirements, we may not be able to pay dividends in foreign currencies to holders of our H Shares, and our ability to obtain foreign exchange through offshore financing and other foreign exchange related matters may also be affected.

Furthermore, the **[REDACTED]** from the **[REDACTED]** are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these **[REDACTED]** into onshore Renminbi. If the **[REDACTED]** cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these **[REDACTED]** efficiently may be affected as we will not be able to invest these **[REDACTED]** on RMB denominated assets onshore or deploy them in uses onshore where Renminbi is required. All of these factors could materially and adversely affect our business results of operations, financial condition and prospects.

**Fluctuations in exchange rates of could adversely affect our results of operations and the value of your investment.**

Fluctuations in the exchange rate of Renminbi against Hong Kong dollar, U.S. dollar and other foreign currencies are affected by, among other things, the changes in domestic and international political, economic conditions and monetary policies.

The **[REDACTED]** from the **[REDACTED]** will be denominated in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollar, Hong Kong dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on our H Shares in foreign currencies. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

**[REDACTED] of [REDACTED] may become subject to PRC taxation on dividends received from us and gains from the disposition of our [REDACTED].**

Non-Chinese resident individual holders of H Shares whose names appear on the register of members of H Shares ("Non-Chinese Resident Individual Holders"), are subject to Chinese individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) dated June 28, 2011 and issued by the SAT, the tax rate applicable to dividends paid to Non-Chinese Resident Individual Holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between China and the jurisdiction in which the Non-Chinese Resident Individual Holder of H Shares resides, as well as the tax arrangement between China and Hong Kong. Non-Chinese Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, Non-Chinese Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the Ministry of Finance and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. If such tax is collected in the future, the value of such individual holders' **[REDACTED]** in **[REDACTED]** may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-Chinese resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its Chinese-sourced income, including dividends received from a Chinese company and gains derived from the disposition of equity interests in a Chinese company. This rate may be reduced under any special arrangement or applicable treaty between the China and the jurisdiction in which the non-Chinese resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-Chinese resident enterprise holders of H Shares (including HKSCC

Nominees). Non-Chinese resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the Chinese tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the Chinese tax authorities' approval. There is room for discretion as to the interpretation and implementation of the EIT Law and its implementation rules by the Chinese tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-Chinese resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-Chinese resident enterprise holders' **[REDACTED]** in H Shares may be materially and adversely affected.

**Payment of dividends is subject to conditions under PRC law.**

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

**It may be difficult to effect service of process upon us or our directors or officers named in this document or to enforce foreign court judgments against them.**

We are a company incorporated under the laws of China, and a majority of our assets are located in China. In addition, most of our Directors, Supervisors and senior management reside within China, and the assets of our Directors, Supervisors and senior management are likely to be located within China. As a result, it may be difficult for you to effect service of process within Hong Kong, the United States or elsewhere outside China upon us or these persons, or to bring an action in Hong Kong against us or these individuals. Moreover, China does not have treaties with certain other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards.

On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) ("2006 Arrangement"). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. It is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) ("2019 Arrangement"), the commencement date of which shall be announced after the Supreme People's Court promulgates judicial interpretations and relevant procedures are completed in Hong Kong. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement taking effect. There remains uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Furthermore, an original action may only be brought in China against us or our Directors, Supervisors and senior management if the actions are not required to be arbitrated by PRC laws and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether **[REDACTED]** will be able to bring an original action in China in this manner.

## RISKS RELATING TO THE [REDACTED]

### There has been no prior [REDACTED] for [REDACTED], and the [REDACTED] and [REDACTED] of [REDACTED] following the [REDACTED] may be volatile.

Prior to the **[REDACTED]**, there has been no **[REDACTED]** for **[REDACTED]**. The **[REDACTED]** for **[REDACTED]** was the result of negotiations among us and the **[REDACTED]**, and the **[REDACTED]** may differ significantly from the **[REDACTED]** for the **[REDACTED]** following the **[REDACTED]**. We have **[REDACTED] [REDACTED]**. We cannot assure you that the **[REDACTED]** will result in the development of an active, liquid **[REDACTED] [REDACTED]** for the **[REDACTED]**. In addition, the **[REDACTED]** and **[REDACTED]** of **[REDACTED]** may be volatile. The following factors may affect the **[REDACTED]** and **[REDACTED]** of **[REDACTED]**:

- actual or anticipated fluctuations in our operating performance and financial results;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies in our industry, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares.

Moreover, the capital market has from time to time experienced significant **[REDACTED]** and **[REDACTED]** fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the **[REDACTED]** and **[REDACTED]** of our **[REDACTED]**.

### The differences in the characteristics of the capital markets in Hong Kong and the United States and the [REDACTED] bases in [REDACTED] and Concord Medical's American depositary shares may have a disparate effect on our and Concord Medical's [REDACTED].

Concord Medical, which is a Controlling Shareholder, has been listed on the New York Stock Exchange (symbol: CCM) since 2009. For more information about Concord Medical, see "Relationship with Our Controlling Shareholders." Concord Medical currently has a relatively small market capitalization, and may thus experience more aggressive price run-ups and declines, lower trading volume and less liquidity, compared with companies with larger market capitalization in the United States. In addition, the trading performance of Concord Medical's American depositary shares has been and will continue to be subject to factors that are different from those affecting the **[REDACTED]** of **[REDACTED]**. For example, companies listed in the United States that have their operations based in China have been, from time to time, the subject of scrutiny and negative publicity in the United States. The investor sentiment towards Chinese-based issuers in the United States has been and could continue to be negatively affected, and as a result, the trading performance of many China-based issuers listed in the United States has been and could continue to be subject to substantial volatility or deterioration in a way that does not necessarily reflect or align with the actual financial performance or operating results of those companies or the perceived value in their listed securities.

We have **[REDACTED] [REDACTED]** and **[REDACTED]** in **[REDACTED]** on the Stock Exchange. The two markets in which Concord Medical's and our securities are **[REDACTED]** have different **[REDACTED]** hours, **[REDACTED]** characteristics (including **[REDACTED] [REDACTED]** and

**[REDACTED]**), **[REDACTED]** rules, and **[REDACTED]** bases (including different levels of retail and institutional participation). As **[REDACTED]** are not convertible into or exchangeable for Concord Medical's American depositary shares, as a result of these major differences in the two capital markets and the factors that primarily affect China-based issuers in the United States, the **[REDACTED]** and **[REDACTED]** of **[REDACTED]** and Concord Medical's American depositary shares might not be aligned or might even fluctuate in different directions, making it difficult to assess or predict the value in their respective **[REDACTED]** using each other's **[REDACTED]** as a benchmark. However, any substantial volatility or deterioration in Concord Medical's American depositary shares, or any trading halt or delisting of such securities, could have a negative effect on the investor sentiment or public perception towards our Company and **[REDACTED]**, albeit a different and separate **[REDACTED]** base for **[REDACTED]**. For additional factors that could affect the **[REDACTED]** or **[REDACTED]** of **[REDACTED]**, see "—There has been no prior **[REDACTED]** for **[REDACTED]**, and the **[REDACTED]** and **[REDACTED]** of **[REDACTED]** following the **[REDACTED]** may be volatile."

**Since there will be a gap of several business days between [REDACTED] and [REDACTED], holders of [REDACTED] are subject to the risk that the [REDACTED] of [REDACTED] could fall during the period before [REDACTED] of [REDACTED] begins.**

The **[REDACTED]** of **[REDACTED]** is expected to be determined on the **[REDACTED]**. However, **[REDACTED]** will not commence **[REDACTED]** on the Stock Exchange until they are delivered, which is expected to be **[REDACTED]** after the **[REDACTED]**. As a result, investors may not be able to **[REDACTED]** during that period. Accordingly, holders of **[REDACTED]** are subject to the risk that the **[REDACTED]** of **[REDACTED]** could fall before **[REDACTED]** begins as a result of adverse market conditions or other adverse development that could occur between the time of **[REDACTED]** and the time **[REDACTED]** begins.

**As the [REDACTED] of [REDACTED] is substantially higher than the consolidated net tangible book value per share, purchasers of [REDACTED] in the [REDACTED] may experience immediate dilution upon such purchases.**

As the **[REDACTED]** of **[REDACTED]** is higher than the consolidated net tangible assets per share immediately prior to the **[REDACTED]**, **[REDACTED]** of **[REDACTED]** in the **[REDACTED]** will experience an immediate **[REDACTED]** in **[REDACTED]** adjusted consolidated net tangible assets. Our existing Shareholders will receive an **[REDACTED]** in the **[REDACTED]** adjusted consolidated net tangible assets value per share of their shares. In addition, holders of **[REDACTED]** may experience further **[REDACTED]** of their interest if the **[REDACTED]** the **[REDACTED]** or if we issue **[REDACTED]** in the future to raise additional **[REDACTED]**.

**Future sales or perceived sales or conversion of substantial amounts of [REDACTED] in the [REDACTED], including any future [REDACTED] in China or [REDACTED], could have a material and adverse effect on the prevailing [REDACTED] of [REDACTED] and our ability to raise additional [REDACTED] in the future, or may result in dilution of [REDACTED].**

Future sales of substantial amounts of **[REDACTED]** or other securities relating to our **[REDACTED]** in the **[REDACTED]**, or the **[REDACTED]** of **[REDACTED]** or other securities relating to **[REDACTED]**, or the perception that such sales or issuances may occur could all cause a decline in the **[REDACTED]** of **[REDACTED]**. Future sales, or perceived sales, of substantial amounts of **[REDACTED]** or **[REDACTED]** relating to **[REDACTED]**, including part of any future **[REDACTED]**, could also materially and adversely affect the prevailing **[REDACTED]** of **[REDACTED]** and our ability to raise **[REDACTED]** in the future at a time and at a **[REDACTED]** which we deem appropriate.

Our Domestic Shares may be converted into H Shares, and such converted H Shares may be **[REDACTED]** or **[REDACTED]** on an overseas stock exchange, provided that prior to the conversion and **[REDACTED]** of such converted shares, any requisite internal approval processes shall have been duly completed and the approval from or filing with the relevant Chinese regulatory authorities, including the CSRC, shall have been obtained or completed (the "Arrangement"). In addition, such conversion, **[REDACTED]** and **[REDACTED]** shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to Domestic Shares. All of our Domestic Shares are subject to the Arrangement and may be converted into H Shares upon the approval of or completion of filing with the relevant regulatory authorities, including the CSRC and the Stock Exchange.

**We may not be able to pay any dividends on our H Shares.**

We cannot guarantee when and in what form dividends will be paid on our H Shares following the **[REDACTED]**. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. See "Financial Information—Dividend."

**If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding [REDACTED], the [REDACTED] and [REDACTED] of [REDACTED] may decline.**

The **[REDACTED]** for **[REDACTED]** may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade **[REDACTED]** or publish negative opinions about us, the **[REDACTED]** of **[REDACTED]** would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the **[REDACTED]**, which, in turn, could cause the **[REDACTED]** or **[REDACTED]** of **[REDACTED]** to decline.

**Forward-looking statements contained in this document are subject to risks and uncertainties.**

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain **[REDACTED]** information and other matters.

The words "anticipate," "believe," "could," "potential," "continue," "expect," "intend," "may," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors, Supervisors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

**Certain facts, forecasts and statistics contained in this document are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date.**

We have derived certain facts and other statistics in this document, particularly the section headed "Industry Overview," from information provided by the PRC government, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, the information from official government sources has not been prepared or independently verified by us, the Joint Sponsors, the **[REDACTED]** or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

**We published periodic financial information on the NEEQ in the PRC pursuant to applicable rules and regulations and you should be cautious and not place any reliance on financial information other than that disclosed in this document.**

We were listed on the NEEQ in 2016 and then completed the delisting from NEEQ in 2018. Pursuant to applicable PRC rules and regulations, we were required to publish periodic financial information. Interim financial information published by us in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors. Certain historical financial information not included in this document may not be directly comparable with our consolidated financial information contained in this document. Accordingly, financial information published in the PRC by us should not be relied upon by potential investors to provide the same quality of information associated with any consolidated financial information contained in this document.

**You should only rely on the information included in this document and the documents issued by our Company to make your [REDACTED] and should not rely on any particular statements in other published announcements, news reports and/or research analyst reports relating to our Controlling Shareholder, our Group and the [REDACTED].**

Prior to the publication of this document, subsequent to the date of this document and after the **[REDACTED]**, there have been, and there may continue to be, announcements, press and media coverage and research analyst reports regarding Concord Medical and its subsidiaries (including our Group) and the **[REDACTED]**, which may include certain historical and forward-looking financial information about Concord Medical, including the business and operations that are operated by our Group.

We are not expected to endorse or participate in the disclosure of any such information. We do not accept any responsibility for any such announcements, press and media coverage or research analyst coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. If any such information appearing in publications other than this document or the documents issued by us is inconsistent or conflicts with the information contained in this document, we disclaim it. You should only rely on the information included in this document and the documents issued by our Company in making your **[REDACTED]** and should not rely on any other information. See "Relationship with our Controlling Shareholders" for further details.

**You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or 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 may have 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.

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

## WAIVER IN RESPECT OF MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, a **[REDACTED]** 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. The business operations of the Group are located in China. Due to the business requirements of the Group, none of the executive Directors has been, is or will be based in Hong Kong. Our Company considers that it would be impracticable and commercially infeasible to appoint two Hong Kong residents as executive Directors or to relocate the existing executive Directors to Hong Kong considering that the operations of our Group are based outside Hong Kong. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will adopt, among others, the following measures:

(1) Our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that we comply with the Listing Rules at all times. These two authorized representatives appointed are Dr. YANG Jianyu, chairman of the Board and an executive Director of our Company and Mr. PAN Lichen, a joint company secretary of our Company. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the two authorized representatives has been duly authorized to communicate on our Company's behalf with the Stock Exchange. The Company will inform the Stock Exchange promptly in respect of any change in its authorized representatives;

(2) Both authorized representatives have means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Company will implement a policy whereby (a) the executive Directors will provide valid phone numbers or other means of communication to the authorized representatives when they are traveling or out of office; and (b) each Director will provide his mobile phone number, office phone number, e-mail address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors;

(3) All our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice, when required; and

(4) Our Company [has] appointed Haitong International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will act as our additional communication channel with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange.

## WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual 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. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (1) a member of The Hong Kong Institute of Chartered Secretaries; (2) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (3) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience," the Stock Exchange will consider the individual's: (1) length of employment with the issuer and other listed companies and the roles he/she played, (2) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (3) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (4) professional qualifications in other jurisdictions.

We have appointed Mr. PAN Lichen and Ms. HO Wing Nga as our joint company secretaries. Biographical information of Mr. PAN Lichen and Ms. HO Wing Nga is set out in the section headed "Directors, Supervisors and Senior Management" in this document. Mr. PAN Lichen is currently our joint company secretary. We have appointed him due to his past working experience within our Company and his thorough understanding of our internal administration, business operations and corporate culture. Since Mr. PAN Lichen does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a **[REDACTED]** stipulated under Rules 3.28 and 8.17 of the Listing Rules. 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 in relation to the appointment of Mr. PAN Lichen as our joint company secretary.

Although Mr. PAN Lichen does not possess the specified qualification required by Rule 3.28 of the Listing Rules, the Directors believe that considering Mr. PAN Lichen's past experience in capital market related affairs and secretarial matters, he is capable of discharging the functions of a joint company secretary with the assistance of Ms. HO Wing Nga, the other joint company secretary of our Company who fully complies with the requirements under Rule 3.28 and 8.17 of the Listing Rules. In addition, the principal business activities of the Group are conducted in China. Mr. PAN Lichen, who resides in China, is familiar with and has a thorough understanding of the operations of our internal business. Therefore, we believe that the appointment of Mr. PAN Lichen as a joint company secretary is in our Company's and the Shareholders' best interests and beneficial to our corporate governance.

Given the important role of the company secretary in the corporate governance of a **[REDACTED]**, particularly in assisting with the **[REDACTED]** as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements for the waiver:

(1) Mr. PAN Lichen will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by our legal advisor as to the laws of Hong Kong on an invitation basis, and seminars organized by the Stock Exchange or other professional bodies from time to time, in addition to the 15-hour minimum requirement under Rule 3.29 of the Listing Rules;

(2) We have appointed Ms. HO Wing Nga, a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute, who fully complies with the requirements under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Ms. HO Wing Nga will work closely with and to provide assistance to Mr. PAN Lichen in the discharge of his duties as a company secretary for an initial period of three years commencing from the **[REDACTED]** so as to enable Mr. PAN Lichen to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to discharge the duties and responsibilities as a company secretary; and

(3) Mr. PAN Lichen will also be assisted by the Company's compliance advisor and legal advisor as to the laws of Hong Kong on matters in relation to the Company's continuing compliance obligations under the Listing Rules and the applicable laws and regulations.

Such waiver will be revoked immediately if and when Ms. HO Wing Nga ceases to provide such assistance or if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. PAN Lichen, having had the benefit of Ms. HO Wing Nga's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed "Directors, Supervisors and Senior Management" in this document for further information of Mr. PAN Lichen and Ms. HO Wing Nga.

## WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules after the **[REDACTED]**. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (where applicable) the announcement and independent shareholders' approval requirements, and the requirement of limiting the term of the continuing connected transactions as set out in Chapter 14A of the Listing Rules for such continuing connected transactions. See "Connected Transactions" in this document for further information of such continuing connected transaction and corresponding waiver.

## WAIVER IN RESPECT OF ACQUISITION AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest adjusted accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Listing Rules, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

### *Background of the Acquisition*

As of the Latest Practicable Date, our Company through our wholly-owned subsidiary, Shenzhen Aohua, had an indirect interest of 14.20% in Guangdong Hengjian Hezi Medical Industry Co., Ltd. (廣東恒健核子醫療產業有限公司) ("Hengjian Hezi"). Pursuant to an agreement dated December 7, 2020 (as supplemented in February 2022 and January 2023) (the "Acquisition Agreement") entered into among the Company, Hengjian Hezi and its shareholders, namely Hebei United Health Medical Management Co., Ltd. (河北聯合健康醫療管理有限公司) and Guangdong Hengtaian Investment Co., Ltd. (廣東恒泰安投資有限公司), the Company agreed to invest in Hengjian Hezi by subscription of the increased registered capital of Hengjian Hezi at a total consideration of approximately RMB346.7 million so as to hold 37.21% of the equity interests of Hengjian Hezi. Our Company had completed the acquisition of a 14.20% interest in Hengjian Hezi in September 2021 (the "2021 Acquisition") pursuant to the Acquisition Agreement through capital contribution in the amount of approximately RMB86.6 million. As of the date of the completion of the 2021 Acquisition, the remaining equity interests in Hengjian Hezi were held as to 56.63% by Hebei United Health Medical Management Co., Ltd. and as to 29.17% by Guangdong Hengtaian Investment Co., Ltd. The Company will make capital contributions in the amount of approximately RMB260.1 million to acquire a further 23.01% of the equity interests in Hengjian Hezi (the "Acquisition") when conditions precedent mentioned in the Acquisition Agreement are satisfied; and even if such conditions precedent are satisfied, the parties will not require the Company to fulfill such obligation until after December 31, 2023. Such arrangement had taken into account the lengthy process expected for certain of the conditions precedent to be satisfied. The conditions precedent mentioned in the Acquisition Agreement include, among others, that Hengjian Hezi and/or its wholly-owned subsidiary (collectively "Hengjian Entities") shall have complete ownership of the assets of Hengjian Entities, there is no third party's rights on and no compulsory measures have been taken against the assets of Hengjian Entities, and there is no other arrangement that may affect their complete ownership of such assets.

The consideration of the combined amount of the 2021 Acquisition and the Acquisition was determined after arms' length negotiations between the parties with reference to (i) the net assets value of Hengjian Hezi as determined in a valuation report prepared by an independent external appraiser, and (ii) the business prospects of Hengjian Hezi.

Upon completion of the Acquisition, Hengjian Hezi will be owned as to 41.44% by Hebei United Health Medical Management Co., Ltd., as to 21.35% by Guangdong Hengtaian Investment Co., Ltd. and as to 37.21% by us. In light of the above, upon completion of the Acquisition, the equity interest of Hengjian Hezi acquired will only be accounted for as interest in associate, and the financial statement of Hengjian Hezi will not be consolidated into the Group's financial statements.

Hengjian Hezi is a limited liability company established in the PRC on January 26, 2011 and is primarily engaged in proton equipment development and manufacturing as well as proton therapy services. It is expected that the Acquisition will further enhance our capability in the provision of proton therapy services. To the best of our knowledge, information and belief having made all reasonable enquiries, each of Hengjian Hezi and its ultimate beneficial owners (excluding us) is an Independent Third Party (other than our existing shareholding in Hengjian Hezi).

***Conditions to the waivers granted by the Stock Exchange***

Based on the following reasons, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Acquisition:

(1) *The 2021 Acquisition shall not be aggregated with the Acquisition in the calculation of the percentage ratios:*

Under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the inclusion of the income statements and balance sheets in a listing document shall apply to "any subsidiary or business acquired, agreed to be acquired or proposed to be acquired *since the date to which [***[REDACTED]***] latest adjusted accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document (emphasis added)"*. The 2021 Acquisition was completed in September 2021 and within the Track Record Period, and accordingly Hengjian Hezi has been accounted for as our associate since then. The summarized financial information of Hengjian Hezi for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 has already been disclosed in Note 14 to the Accountants' Report in Appendix I to this document for the information of the prospective investors.

Furthermore, despite the fact that both acquisitions involve the acquisition of the equity interests of Hengjian Hezi, the Acquisition is subject to further conditions precedent, including but not limited to completion of certain events relating to the operational affairs of Hengjian Hezi. Pursuant to the Acquisition Agreement, the parties will not request for completion of the Acquisition until after December 31, 2023. In particular, the Directors are of the view that it is uncertain when the conditions precedent applicable to the Acquisition will be satisfied and hence there is no definite timeline for the completion of Acquisition.

It is also expected that Hengjian Hezi will continue to be accounted for as our associate after the 2021 Acquisition and hence the Company expects that the completion of the Acquisition will not result in any significant changes to the Company's financial position.

In addition, even if the 2021 Acquisition were to aggregate with the Acquisition, as if they were one transaction, the highest percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in such case would be approximately 5.8% by reference to the most recent fiscal year of the Track Record Period, which is slightly higher than 5% and still considered as immaterial by the Company. Based on such ratio, the Directors believe the investment in Hengjian Hezi is not material to the financial conditions and operations of the Group.

(2) *The percentage ratios of the Acquisition are all less than 5% by reference to the most recent fiscal year of the Company's Track Record Period:*

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Acquisition are all less than 5% by reference to the most recent fiscal year of the Track Record Period.

Accordingly, the Company believes that the Acquisition when completed, will not result in any significant changes to the Company's financial position since June 30, 2023, and all information that is reasonably necessary for the potential investors to make an informed assessment of the Company's activities or financial position has been included in this document. As such, the Company considers that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

(3) *The historical financial information of the target company is not available and would be unduly burdensome to obtain or prepare:*

The Company currently has no control in Hengjian Hezi. Our rights are generally commensurate to the status as a minority shareholder and are for the protection of our interests as a minority stakeholder. These rights are neither intended, nor sufficient to compel or require Hengjian Hezi to prepare or to disclose in this document audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. In addition, it would require considerable time and resources for the Company and its reporting accountants to fully familiarize themselves with the management accounting policies of the target and compile the necessary financial information and supporting documents for disclosure in this document. As such, the Company believes that it would be impractical and unduly burdensome for the Company to disclose the audited financial information of the target as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

Furthermore, having considered the Acquisition is immaterial and that the Company does not expect the Acquisition to have any material effect on its business, financial condition or operations, the Company believes that it would not be meaningful and would be unduly burdensome for it to prepare and include the financial information of the target during the Track Record Period in this document.

*(4) Alternative disclosure of necessary information in the document:*

The Company has provided alternative information about the Acquisition in this document. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Listing Rules, including, (a) descriptions of the target's principal business activities and the identity of the target, (b) the investment amount and the basis on which the consideration is determined, (c) the summarized financial information of Hengjian Hezi for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, (d) a confirmation that each of the counterparty and the ultimate beneficial owners of the counterparty is an Independent Third Party (other than our existing shareholding in Hengjian Hezi), and (e) reasons for the Acquisition and the benefits which are expected to accrue to our Group as a result of the Acquisition. The Company does not expect to use any **[REDACTED]** from the **[REDACTED]** to fund the Acquisition.

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| ***Executive Directors*** | | |
| Dr. YANG Jianyu (楊建宇) | No. 140, District 54<br>Courtyard 3, Shangyuan Village<br>Haidian District<br>Beijing, PRC | Chinese |
| Ms. FU Xiao (付驍) | Room 8028, Unit 3, 7th-8th floor of Building 61<br>Zhuyuan, Malianwa<br>Haidian District<br>Beijing, PRC | Chinese |
| Mr. CHANG Liang (常亮) | Room 317, Unit 3, Building 17<br>Yangzhuang Beili<br>Tongzhou District<br>Beijing, PRC | Chinese |
| Mr. SHI Botao (施波濤) | San Ai Center, No. 15 Guanghuali<br>Chaoyang District<br>Beijing, PRC | Chinese |
| ***Non-executive Directors*** | | |
| Mr. WANG Lei (王雷) | Room 302, Unit 2, 12/F<br>Fenghuiyuan, Xicheng District<br>Beijing, PRC | Chinese |
| Mr. CHEN Hongzhang (陳宏章) | Room 501, Unit 5, Building 1<br>Yuzhong Dongli<br>Xicheng District<br>Beijing, PRC | Chinese |
| ***Independent Non-executive Directors*** | | |
| Ms. LI Xuemei (李雪梅) | Room 1708, Building 1<br>Courtyard 11, Gaoliangqiaoxie Street<br>Haidian District<br>Beijing, PRC | Chinese |
| Mr. SUN Yansheng (孫延生) | Room 6-902, Building 4, Fuguiyuan<br>District 1, Donghuashi Nanli<br>Dongcheng District<br>Beijing, PRC | Chinese |
| Mr. NG Kwok Yin (吳國賢) | Flat A 51/F, Tower 3, The Harbourside<br>1 Austin Road West, Tsim Sha Tsui<br>Kowloon, Hong Kong | Chinese<br>(Hong Kong) |

## SUPERVISORS

| Name | Address | Nationality |
|---|---|---|
| Mr. TENG Shengchun (滕勝春) | Room 602, Unit 3, Building 3<br>Courtyard 10, Dongbai Street<br>Chaoyang District<br>Beijing, PRC | Chinese |
| Mr. YU Yue (于越) | Room 102, No. 10<br>Lane 717, Julu Road<br>Jing'an District<br>Shanghai, PRC | Chinese |
| Ms. JIANG Li (蔣瓅) | No. 6, South Row 3<br>No. 1, Houyuanensi Hutong<br>Dongcheng District<br>Beijing, PRC | Chinese |

Further information is set out in the section headed "Directors, Supervisors and Senior Management" in this document.

## PARTIES INVOLVED IN THE [REDACTED]

| | |
|---|---|
| **Joint Sponsors**<br>*(in alphabetical order)* | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbor View Street<br>Central<br>Hong Kong |
| | **Haitong International Capital Limited**<br>Suites 3001-3006 and 3015-3016<br>One International Finance Centre<br>1 Harbor View Street<br>Central<br>Hong Kong |

**[REDACTED]**

| | |
|---|---|
| **Legal Advisors to the Company** | *As to Hong Kong law and U.S. law:*<br>**Wilson Sonsini Goodrich & Rosati**<br>Suite 1509, 15/F, Jardine House<br>1 Connaught Place<br>Central<br>Hong Kong<br><br>*As to Hong Kong law:*<br>**Eric Chow & Co. in Association with Commerce & Finance Law Offices**<br>3401, Alexandra House<br>18 Chater Road, Central<br>Hong Kong<br><br>*As to PRC law:*<br>**Commerce & Finance Law Offices**<br>12-14th Floor, China World Office 2<br>No. 1 Jianguomenwai Avenue<br>Beijing, PRC |
| **Legal Advisors to the Joint Sponsors and the [REDACTED]** | *As to Hong Kong law:*<br>**Sidley Austin**<br>Level 39, Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong<br><br>*As to PRC law:*<br>**Jingtian & Gongcheng**<br>34/F, Tower 3<br>China Central Place<br>77 Jianguo Road<br>Beijing, PRC |
| **Auditors and Reporting Accountants** | **BDO Limited**<br>*Certified Public Accountants*<br>25th Floor, Wing On Center<br>111 Connaught Road Central<br>Hong Kong |
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**<br>Room 2504, Wheelock Square<br>No. 1717 West Nanjing Road<br>Jing'an District<br>Shanghai, PRC |
| **Property Valuer** | **Asia-Pacific Consulting and Appraisal Limited**<br>Flat/Rm A, 12/F<br>Kiu Fu Commercial Building<br>300 Lockhart Road<br>Wan Chai<br>Hong Kong |

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| **Registered Office in the PRC** | Room B311, 3rd Floor, Building 7<br>No. 48, Zhongguancun South Road<br>Haidian District<br>Beijing, PRC |
| **Headquarters and Principal Place of Business in the PRC** | Room 26A1-26A5, East Tower, Hanwei Building<br>No. 7 Guanghua Road<br>Chaoyang District<br>Beijing, PRC |
| **Principal Place of Business in Hong Kong** | Room 1701, 9 Chong Yip Street<br>Kwun Tong, Kowloon<br>Hong Kong |
| **Company's Website** | **www.concordmedical.com**<br><br>*(the information contained on the website does not form part of this document)* |
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| **Authorized Representatives** | **Dr. YANG Jianyu (楊建宇)**<br>No. 140, District 54<br>Courtyard 3, Shangyuan Village<br>Haidian District<br>Beijing, PRC<br><br>**Mr. PAN Lichen (潘立臣)**<br>Room 26A1-26A5, East Tower, Hanwei Building<br>No. 7 Guanghua Road<br>Chaoyang District<br>Beijing, PRC |
| **Audit Committee** | Mr. NG Kwok Yin (吳國賢) (*Chairperson*)<br>Mr. SUN Yansheng (孫延生)<br>Ms. LI Xuemei (李雪梅) |
| **Remuneration and Appraisal Committee** | Ms. LI Xuemei (李雪梅) (*Chairperson*)<br>Dr. YANG Jianyu (楊建宇)<br>Mr. SUN Yansheng (孫延生) |
| **Nomination Committee** | Mr. SUN Yansheng (孫延生) (*Chairperson*)<br>Dr. YANG Jianyu (楊建宇)<br>Ms. LI Xuemei (李雪梅) |

# CORPORATE INFORMATION

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|---|---|
| **Compliance Advisor** | **Haitong International Capital Limited**<br>Suites 3001-3006 and 3015-3016<br>One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |

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|---|---|
| **Principal Banks** | **Bank of China Limited, Beijing Anzhenqiao Branch**<br>1/F, Block B, Global Trade Center<br>No. 36 North Third Ring East Road<br>Dongcheng District<br>Beijing, PRC |
| | **Ping An Bank Co., Ltd., Beijing Zhongguancun Branch**<br>No. 1 Suzhou Street<br>Haidian District<br>Beijing, PRC |

*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 F&S Report, an independent industry report, in connection with the* **[REDACTED]**. *The information from official government sources has not been independently verified by us, the Joint Sponsors, the* **[REDACTED]**, *the* **[REDACTED] [REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]** *or any of our or their respective directors, senior management, representatives or any other person involved in the* **[REDACTED]** *and no representation is given as to its accuracy. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside China.*

## SOURCES OF INFORMATION

This section includes information from the F&S Report, a report commissioned by us, as we believe such information imparts a greater understanding of the industry. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. We have agreed to pay Frost & Sullivan a total of RMB600,000 in fees for its commissioned undertakings, which we believe to be consistent with market rates. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the F&S Report.

In preparing the F&S Report, Frost & Sullivan performed both primary research which involved conducting interviews with leading industry participants and experts and secondary research which involved reviewing company reports, independent research reports and data based on Frost & Sullivan's research database. Frost & Sullivan also assumed that China's economy is likely to maintain its steady growth in the forecast period, China's social, economic and political environment is likely to remain stable in the forecast period, relevant market drivers are likely to drive the growth of China's healthcare service industry, and there is no extreme force majeure or industry regulation which may dramatically or fundamentally affect the market.

## DIRECTORS' CONFIRMATION

After making reasonable inquiries, our Directors confirm that, to the best of their knowledge, there has been no detrimental change in the market information demonstrated in the F&S Report since the date of the report that may qualify, contradict or have an impact on the information in this document.

## OVERVIEW OF THE HEALTHCARE SERVICE MARKET IN CHINA

China's healthcare service providers consist of hospitals, primary healthcare institutions, and other healthcare institutions. Driven by increasing aging population and public health awareness, the healthcare market in China has experienced rapid growth in terms of total and per capita expenditure. Hospitals constitute the main force in healthcare service provision. Revenue of healthcare institutions in China was RMB5,767.5 billion in 2022, of which RMB4,315.4 billion, or 74.8%, was attributable to hospitals.

Due to the rapidly increasing aging population as well as the prevalence of chronic disease arising from a variety of causes such as unhealthy lifestyles, high social and living pressure and environmental pollution, healthcare institutions, especially hospitals, are experiencing a growing demand for healthcare services and, accordingly, a heavy patient load. As a result, the total number of hospitals in China increased from 29,140 in 2016 to 36,976 in 2022, at a CAGR of 4.0%, and is estimated to reach 46,241 in 2026, at a CAGR of 7.4% from 2022 to 2026. However, as medical resources are generally concentrated in major cities and in large public hospitals, there is a large supply-demand gap for healthcare services, especially diagnosis services.

China's healthcare service providers can be categorized as public and private healthcare institutions in terms of ownership. Public institutions have taken the dominance in healthcare service market in China for decades, in terms of the revenue. In 2016, the market size of China's public healthcare institutions was RMB2,980.8 billion, which grew to RMB4,841.9 billion in 2022, with a CAGR of 8.4%. Currently, the market share of public institutions is still larger than that of the private institutions in the healthcare service market in China. In 2022, the market share of public healthcare institutions was around 84% while private healthcare institutions occupied around 16% of the healthcare service market in China. Along with the continuous growth in economy and urbanization, the per capita disposable income of Chinese residents has also increased continuously in recent years, leading to the rising purchasing power for private healthcare services. Driven by the favorable governmental policies and the unmet healthcare demand due to the scarcity and uneven distribution of medical resources in China, the private healthcare institution segment is growing at a faster rate than the overall market in terms of revenue, and is expected to make increasingly larger contributions. The market size of China's overall healthcare service market which, in terms of revenue, increased from RMB3,316.6 billion in 2016 to RMB5,767.5 billion in 2022, at a CAGR of 9.7%. Specifically, the market size of China's public healthcare institutions, in terms of revenue, increased from RMB2,980.8 billion in 2016 to RMB4,841.9 billion in 2022, at a CAGR of 8.4%, and is expected to reach RMB6,772.2 billion in 2026, at a GAGR of 8.7%. In contrast, the market size of China's private healthcare institutions, in terms of revenue, increased from RMB335.8 billion in 2016 to RMB925.6 billion in 2022, at a CAGR of 18.4%, and is expected to reach RMB1,530.8 billion in 2026, at a CAGR of 13.4% from 2022 to 2026. The number of private healthcare institutions have also experienced a rapid growth from 440,887 in 2016 to 500,617 in 2022, at a CAGR of 2.1%, and is estimated to reach 547,747 in 2026, at a CAGR of 2.3% from 2022 to 2026.

### Diagnosis Related Groups Payment System and Diagnosis Intervention Packet Payment System

China has comprehensive public medical insurance program. According to the Notice on Issuing the National Pilot Technical Specifications and Grouping Scheme for the Diagnosis Related Groups ("DRG") Payment (關於印發疾病診斷相關分組(DRG)付費國家試點技術規範和分組方案的通知) promulgated by the National Health Security Administration on October 16, 2019, DRG is a case combination classification scheme under China' public medical insurance program. DRG payment system considers hundreds of disease groups and determines the optimal amount to be paid by the public medical insurance program for each disease group, based on a variety of factors such as patient age, disease diagnosis, comorbidity, complication, treatment, disease severity, and resource consumption level. According to the Notice on Issuing the Technical Specifications for National Medical Insurance Payment by DiagnosisIntervention Packet ("DIP") and the DIP Disease Catalog (Version 1.0) (關於印發國家醫療保障按病種分值付費M(DIP)技術規範和DIP病種目錄庫(1.0版)的通知) promulgated by the National Health Security Administration on November 9, 2020, DIP is a management system which classifies disease groups based on the common characteristics of disease diagnosis and treatment methods, and assigns different score point values for different disease groups to form reimbursement standards. Under both the DRG and the DIP payment system, the local public medical insurance authorities reimburse medical institutions that adopted DRG or DIP according to the reimbursement standard of the disease group that the patient belongs, and not according to the actual costs incurred by the patient at the medical institution. Both DRG and DIP payment systems are applicable only for medical insurance reimbursement for medical institutions providing inpatient services.

***Impact on Business Operation of Medical Institutions***

DRG and DIP payment systems promote the management standardization of hospitals and raise the cost accounting requirements. Previously, hospital cost accounting procedures generally only focused on evaluating the medical resource inventory and consumption. After the implementation of the DRG and the DIP payment systems, hospital cost accounting procedures generally focus more on analysis of internal medical resource flows to conduct more efficient cost control and improve hospital operational efficiency.

***Impact on Pricing Policy of Medical Institutions***

Under China' public medical insurance program and DRG and DIP payment systems, if a private medical institution is a Medical Insurance Designated Medical Institution (醫保定點醫療機構), it may only charge healthcare service fees in accordance with the pricing guidelines set by the relevant medical and health administrative departments and public medical insurance program authorities. DRG or DIP payment system generally does not have other additional impact on the pricing policy. Non-designated medical institutions are not subject to this pricing restriction and have the right to set healthcare service fees based on their cost structure, market demand and other factors.

***Impact on Financial Performance of Medical Institutions***

Financial performance of medical institutions are generally mainly determined by their operational strategy and the number of patients accepted and treated. DRG or DIP payment system generally would not bring significant influence on financial performance of medical institutions.

## ONCOLOGY HEALTHCARE SERVICE MARKET

Global incidence of cancer grew from approximately 17.2 million in 2016 to 20.2 million in 2022, and is expected to reach 22.3 million in 2026. Incidence of cancer in China also increased from approximately 4.1 million in 2016 to 4.8 million in 2022, and is expected to reach 5.3 million in 2026. In China, lung cancer, stomach cancer, colorectal cancer, thyroid cancer, liver cancer, breast cancer, esophagus cancer, cervix cancer, brain cancer and pancreas cancer were the top 10 cancers in terms of incurrence in 2022, with the top five accounting for more than 50% of the new incidence of cancer. Among all the cancer types, breast cancer is the most frequently incurred cancer for female patients in China and globally. In 2022 alone, there were 0.3 million female breast cancer incidences, among a total of 2.3 million female cancer incidences, in China. The five-year survival rate of breast cancer was 82.0% in China, compared to 90.3% in the United States.

### Overview of Oncology Healthcare Services

The mainstream oncology healthcare services currently available in the market includes screening, diagnosis and treatment. A number of oncology healthcare institutions also provide post-treatment health management services to assist patient's recovery. Cancer screening and diagnosis methods primarily include biochemistry tests, genetic testing, diagnostic imaging and diagnostic pathology. Oncology treatment options primarily consist of surgery, radiation therapy and medications, including chemotherapy, targeted therapy and immunotherapy.

- *Surgery*. Surgery, a procedure aiming to remove cancer from the body, works best for solid tumors with clear periphery at fixed positions or tumors at early stage, and generally is not used for patients with systemic metastases. Breast-conserving surgery is a less invasive while more effective treatment for breast cancer patients compared to removal of the entire breast. Breast-conserving surgery often requires the MDT collaboration of advanced CT angiography and complementary radiation therapy, which is challenging for most medical institutions with limited MDT collaboration capacity due to low physician-patient ratio in China. Breast cancer has the highest incurrence rate among all the cancers for female patients in China, breast-conserving surgery was adopted in less than 20% of all the breast cancer surgeries in China in 2021, as compared to approximately 60% and 80% in the United States and Europe, respectively.
- *Radiation therapy*. Radiation therapy, which uses high doses of radiation to kill cancer cells and shrink tumors, can be applied in treatments of nearly all kinds of cancers. Typical radiation therapy treatments include brachytherapy and external beam radiation therapy, such as Co-60 SRT, gamma knife, linear accelerator treatment, as well as advanced proton and heavy ion radiation therapy. Radiation therapy can be adopted alone and as part of a comprehensive treatment to improve the therapeutic effects of cancers, covering approximately 95% of all cancer treatment cases. In particular, radiation therapy is considered the primary curative treatment option for a wide variety of localized tumors, with an 86% to 94% curative rate for early NPC and cervical cancer. When adopted in combination with other treatments such as surgery and/or chemotherapy under the MDT approach, radiation therapy contributes to a higher survival rate and a longer survival period.
- *Chemotherapy*. Chemotherapy uses chemical substances, especially one or more pharmaceuticals to kill cancer cells or control their growth. Similar to radiation therapy, chemotherapy applies to various types of cancer, either alone or in combination with other treatment options. Chemotherapy is a systemic treatment and thus effective for most oncology patients at different stages of cancer development.
- *Targeted therapy*. Targeted therapy, using small-molecule drugs or monoclonal antibodies, works by helping the immune system destroy cancer cells, stopping cancer cells from growing or stopping signals that help form blood vessels. Targeted therapy is suitable for cancers with targets detectable by diagnostic pathology.
- *Immunotherapy*. Immunotherapy treats cancer by using biological agents to induce, enhance or restrain the immunoreactions of oncology patients. It is suitable for a variety of solid tumors and blood cancer and is a better choice for older patients with poor immunity.

### China's Oncology Healthcare Service Market

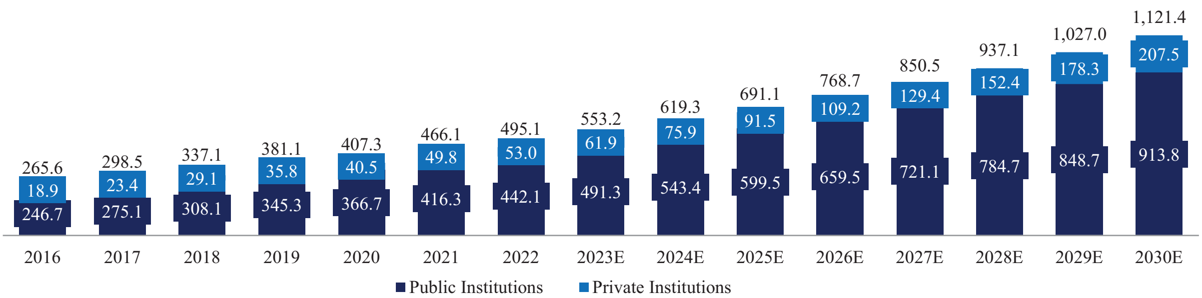
China had a large number of newly diagnosed cancer patients and cancer-related deaths in 2022, accounting for approximately 23.8% of the new cancer cases and approximately 26.9% of the cancer-related deaths worldwide. With the growing demand and improving access for cancer treatment, the market size of China's oncology healthcare service market, in terms of revenue, grew from RMB265.6 billion in 2016 to RMB495.1 billion in 2022, at a CAGR of 10.9%, and is expected to reach RMB768.7 billion in 2026, at a CAGR of 11.6% from 2022 to 2026. Mortality of cancer per year in China increased from approximately 2.4 million in 2016 to approximately 2.8 million in 2022 and is estimated to reach approximately 3.3 million in 2026.

Service providers in China's oncology healthcare service market are oncology healthcare institutions, which in turn include specialized oncology healthcare institutions and comprehensive institutions that provide oncology healthcare services. China's oncology healthcare service market consists of all related expenses for cancer patients, including examination, treatment, and rehabilitation costs. The main treatment costs include surgery, medication (such as chemotherapy and immunotherapy), and radiation therapy. China's oncology healthcare institutions can also be categorized into public and private oncology healthcare institutions. Public hospitals, especially secondary and tertiary hospitals, are the main force in providing oncology healthcare services. The market size of China's public oncology healthcare service market, in terms of revenue, increased from RMB246.7 billion in 2016 to RMB442.1 billion in 2022, at a CAGR of 10.2%, and is expected to reach RMB659.5 billion in 2026, at a CAGR of 10.5% from 2022 to 2026. The market size of China's private oncology healthcare service market, in terms of revenue, grew from RMB18.9 billion in 2016 to RMB53.0 billion in 2022, at a CAGR of 18.7%, and is expected to reach RMB109.2 billion in 2026, at a CAGR of 19.8% from 2022 to 2026, with a faster rate than that of the overall oncology healthcare service market.

**China's Oncology Healthcare Service Market, 2016-2030E**

*RMB in billions*

| CAGR | 16-22 | 22-26E | 26E-30E |
|---|---|---|---|
| Public Iinstitutions | 10.2% | 10.5% | 8.5% |
| Private Iinstitutions | 18.7% | 19.8% | 17.4% |
| Total | 10.9% | 11.6% | 9.9% |




*Note: Private Institutions include those that are private as well as those jointly operated by state entities and private entities.*

*Source: NHC, the F&S Report*

As of December 31, 2016, there were approximately 1,300 public oncology healthcare institutions in China, the number of which increased to approximately 1,400 as of December 31, 2022. The number of private oncology healthcare institutions increased from approximately 400 as of December 31, 2016 to approximately 700 as of December 31, 2022 at a CAGR of 10.5%, indicating significant growth potentials in the market.

China's oncology medical resources are still in short supply at present. The number of new incident cases of cancers has increased from 4.1 million in 2016 to 4.8 million in 2022. The continuous release of oncology healthcare service demands will drive more private investment and medical resources into the market. In addition, China's oncology medical resources are mainly concentrated in first- and second-tier cities, especially quality medical sources targeting obscure diseases or refined patient services which are more scarce in lower-tier cities, including advanced cancer treatment technologies and high-caliber physicians. The scarcity of quality oncology medical resources has caused overcrowding in large hospitals and patient dissatisfaction, which gives rise to the unleashed market potentials for newly established medical institutions in first- and second-tier cities to address the unmet needs of patient flooding from all over the country. For instance, in 2021, the number of outpatient and emergency patients in the oncology department of hospitals nationwide was 55.8 million, with the eastern region represented by Guangzhou and Shanghai accounting for 52.3%, while the central and western regions accounted for 26.9% and 20.7%, respectively. Furthermore, the number of discharged patients from the oncology department of hospitals nationwide was 12.1 million in 2021, with the eastern region represented accounting for 48.7%, while the central and western regions accounted for 32.7% and 18.6%, respectively. As the eastern region gathers more first- and second-tier cities with stronger oncology healthcare service capacities, it absorbed much of the cancer patients nationwide, especially those with complex medical conditions seeking for advanced cancer treatment such as precision radiation therapy services. The gap between new and current cancer patients versus the discharged patients also indicates mass amounts of nationwide cancer patients in need of oncology healthcare services, which is to be filled by the expansion of China's oncology healthcare service providers. Furthermore, private oncology healthcare institutions are expected to contribute in addressing the more diversified patient needs gathered in first- and second-tier cities, utilizing their access to the advanced cancer care ideology and systematic training through international collaboration, as well as a higher physician-patient ratio to provide MDT services. Such supply-demand gap and uneven distribution of oncology medical resources have contributed and will continue to contribute to the growth of China's oncology healthcare service market, especially the market of private oncology healthcare institutions which have more discretion on hospital operations and targeted patient services.

**Comparative Analysis of Oncology Healthcare Service Treatment Ideology in China and Developed Countries**

China's oncology healthcare service is in early development stage, relative to more mature markets globally. Dealing with the largest numbers of newly diagnosed cancer patients and cancer-related deaths globally in 2022, China's oncology healthcare service faces challenges in the scarcity and uneven distribution of medical resources, which causes patient overcrowding, especially in public hospitals in first-tier cities. As a result, uniform standard of care and advanced methodologies, such as MDT and precision radiation therapy, are rarely implemented, leading to dissatisfying treatment quality.

In specific, the MDT approach brings together a group of healthcare professionals from different fields involved in cancer care with the overarching goal of optimizing patient care and treatment efficacy, which is integral to the best practice in oncology in the United States. In China, the adoption of the MDT approach is ad hoc and sporadic, which is available from only a limited number of large private institutions in economically developed regions, primarily due to the scarcity and uneven distribution of medical resources, and lack of professional MDT practice guidance, training and experience. The prevalence of traditional sequential treatment in China, where patients undergo consecutive consultations from surgery, radiation therapy and chemotherapy departments, may result in fragmented care, therefore leading to limited treatment options, possible delays in treatment, and traveling burdens for patients. The adoption of MDT is a proven contributor to a higher overall survival rate and a longer survival period for patients. For instance, patients with colorectal cancer recurrence who received MDT services have a higher three-year overall survival rate of 48.8% compared to 24.2% for those who did not receive MDT services. The adoption rate of MDT approach in cancer care was 6% of all cancer types in China in 2022, which was significantly lower than that of 80% in the United States.

Due to the more mature treatment ideology and techniques, as well as a higher penetration rate and broader insurance coverage for cancer screening in the United States, the five-year survival rate for patients was 67.7% in the United States, as compared to 40.5% in China.

**China's Private Oncology Healthcare Service Market**

Compared to public oncology healthcare institutions, private oncology healthcare institutions, including private cancer hospitals, clinics and other oncology healthcare institutions, generally have higher degree of refinement for cancer care, with more flexibility in hospital management, patient-oriented services, alternative medications and equipment, as well as professional training system introduced through international collaboration. In particular, private oncology healthcare institutions have more access to the advanced cancer care ideology and systematic training through international collaboration, as well as a higher physician-patient ratio to provide MDT services. In comparison, as a result of uneven distribution of medical resources in China, the unidisciplinary treatment is usually adopted in public healthcare institutions, such as large Class III public hospitals, primarily due to limited effective diagnosis time resulting from patient overcrowding. As such, private oncology healthcare institutions can effectively differentiate themselves from their public peers and achieve scalable growth in the market. In addition, the increasing affluence and expanding coverage of medical insurance, as well as incentive policies by government have been driving the development of private oncology healthcare service market.

Oncology healthcare treatment is usually characterized by a long treatment cycle, involving multiple sections such as the long waiting period between the diagnosis and first surgery, the inpatient observation after surgery, the follow-up visits and prognosis after oncology treatment, which in total generally takes several years and even to decades. As a result, the total cost of oncology treatment is usually high. Accordingly, patients' tendency to firstly approach public hospitals or private hospitals is normally determined by their knowledge and attitudes toward the disease itself, which is influenced by many factors such as affordability, location, and personal preferences. For example, the medical charges directly affect patients' choice of medical institutions. Patients with poor affordability are more likely to choose lower-priced public medical institutions for treatment. In contrast, patients with better economic conditions usually tend to choose private hospitals for better treatment efficacy and better medical services. In addition, convenience and accessibility of medical services have a certain impact on the medical treatment behavior of oncology patients since the distance and transportation affects the time cost of patients' medical treatment. As a result, certain patients tend to firstly approach the hospitals which is nearest to them, regardless of the classification of the hospitals. After their oncology diagnosis and treatment, whether their being referred to another hospital is mainly determined by the factors elaborated above as well. As patients choose hospitals based on a comprehensive analysis of the above-mentioned factors, there is generally no patient referral reliance among public and private hospitals in the provision of oncology healthcare services in China. In 2022, the outpatient visits of public hospitals in China was around 3,190 million, while that of private hospitals was around 630.0 million. In 2022, the inpatient visits of public hospitals in China was around 163 million, while that of private hospitals was around 37.9 million.

Public and private oncology healthcare institutions are designed to complement with each other and address the diversified patient needs along the cancer care journey. Given their different target patient populations and the significant underserved demands for oncology healthcare services, public and private oncology healthcare institutions are generally not in direct competition. The target patient population of private oncology healthcare institutions can be differentiated from that of their public peers, making up the gap not covered by the public peers. Such target patient population of private oncology healthcare institutions typically include (1) high-end patients in economically developed regions in China, with relatively high requirements for diagnosis and treatment service quality and medical environment, which can hardly be fulfilled by limited oncology medical resources provided by public oncology healthcare institutions, and (2) patients in lower-tier cities in China, with scarce oncology medical resources.

Similarly, the competition among public hospitals and private hospitals in China's oncology healthcare service industry also presents differently in first-and second-tier cities, compared to lower-tier cities. In first-and second-tier cities in China, there is an over-supply of patient demands for public cancer hospitals, and patients may encounter difficulty in seeking medical treatment in large public hospitals such as long waiting time for outpatient treatments and inpatient beds. The bed utilization rate and bed working days of public hospitals in Shanghai in 2021 were as high as 92.5% and 337.5 days, respectively, while the national average hospital bed utilization rate and bed working days in 2021 is only 74.6% and 272.3 days, respectively. Private oncology hospitals in first-and second-tier cities in China are positioned to complement with public ones in providing quality services, advanced treatments of international standards, and improved medical environment, especially for high-end patients. Thus, private oncology hospitals featuring patient-oriented services, advanced cancer care ideology and systematic training through international collaboration, as well as a higher physician-patient ratio to provide MDT services, such as our Guangzhou Hospital and Shanghai Hospital, have the competitive edge over the large public oncology hospitals. In lower-tier cities, the development of cancer hospitals is still at an early stage facing unmet market demands for cancer services. Therefore, private oncology hospitals are expected to make up for the shortage of medical resources in lower-tier cities.

***Key Drivers and Development Trends***

Key growth drivers and development trends of China's private oncology healthcare service market include the following.

- *Rise of private oncology healthcare institutions.* Driven by the favorable governmental policies and the unmet healthcare service demand due to the scarcity and uneven distribution of medical resources in China, the private oncology healthcare institution segment is growing at a faster rate than the overall market in terms of revenue. In addition, flexible management mechanisms and higher service quality of private oncology healthcare institutions are expected to attract a growing number of patients for diagnosis and treatment.

- *Increasing adoption of radiation therapy.* Limited by relatively slow technology development for oncology medical equipment in the history, medication has accounted for the largest proportion of China's oncology healthcare service market for a long time, while the market share of radiation therapy has remained relatively low. With rising awareness of radiation therapy and increasing installation of radiation therapy equipment, the market share of radiation therapy will expand in the future.

- *Popularity of MDT model.* The complexity of cancer treatment requires MDT, which involves collaboration among MDT medical professionals to enable a more systematic and comprehensive treatment plan for cancer patients. In addition, in August 2018, the NHC promulgated "Work Plan for Pilot Program of Oncology Multidisciplinary Diagnosis and Treatment (2018-2020) (腫瘤多學科診療試點工作方案(2018-2020年))" to promote the establishment and development of MDT practice. As a result, we expect the MDT approach to gain increasing popularity in the future.

- *Capital investments*. With the increasing governmental support and financing and investment opportunities from the capital markets, private oncology healthcare institutions are able to obtain more medical resources, including advanced diagnosis and treatment equipment and medical talents.
- *Full-cycle cancer care with technological advancement*. Oncology healthcare institutions is pursuing the full-cycle cancer care from screening and diagnosis to treatment and post-treatment health management, which is expected to further enlarge the oncology healthcare service market in China. In addition, an increasing number of private oncology healthcare institutions are developing and applying advanced technologies in cancer care, such as cloud technology and AI technology, to make cancer screening, post-treatment health management and related consultation services more accessible, while improving diagnosis and treatment efficiency.
- *Favorable government policies*. To promote the development of China's private healthcare services, the State Council issued the Opinions on Supporting Social Forces in Providing Multi-level Medical Services (關於支援社會力量提供多層次多樣化醫療服務的意見) in May 2017 to encourage private medical institutions to provide specialized medical services, which facilitated private medical institutions in providing oncology healthcare services. In August 2018, the NHC and National Administration of Traditional Chinese Medicine issued the Notice on Key Work Concerning the Construction of Hierarchical Diagnosis and Treatment System (關於進一步做好分級診療制度建設有關重點工作的通知) which included private medical institutions in its favorable policies for medical consortium. Furthermore, in January 2022, the NHC issued the Notice of the National Health Commission on Issuing the Guiding Principles for the Establishment Plan of Medical Institutions (2021-2025) (國家衛生健康委關於印發醫療機構設置規劃指導原則(2021-2025年)的通知), encouraging private institutions in developing various healthcare services.

***Competitive Landscape***

China's private oncology healthcare institution industry is highly fragmented, with the top five players accounting for an aggregate market share of only 6.5% in terms of revenue in 2022. We were the fifth largest private oncology healthcare service provider in China in terms of revenue in 2022, with a market share of 0.5%.

**Top Five Players in China's Private Oncology Healthcare Service Market by Revenue, 2022**

| Ranking | Company | Revenue* (RMB in millions) | Market Share (%) |
|---|---|---|---|
| 1 ....... | Company A(1) | 1,438.4 | 2.7% |
| 2 ....... | Company B(2) | 1,010.0 | 1.9% |
| 3 ....... | Company C(3) | 483.6 | 0.9% |
| 4 ....... | Company D(4) | 264.9 | 0.5% |
| **5 .......** | **Our Company** | **248.3** | **0.5%** |

*Source: F&S Report*

* *Represented revenue generated from (1) healthcare services provided to patients in self-owned medical institutions directly related to oncology diagnosis and treatment, and (2) management and technical support services and operating lease services provided to enterprise customers to provide them in the provision of oncology healthcare services.*

(1) Established in 2009, Company A is an oncology healthcare service provider with self-owned and managed hospitals primarily in second- and lower-tier cities in China. Company A is a public company listed on the Hong Kong Stock Exchange. Headquartered in Shanghai, Company A has operating regions across China and its total revenue in 2022 was approximately RMB3.2 billion.

(2) Established in 1992, Company B is a healthcare service provider mainly focusing on neurosurgery, cancer treatment and high-end general practice services with general and specialty hospitals in China. Headquartered in Shanghai, Company B is a private company with approximately 2,400 employees and operating regions across China.

(3) Established in 1998, Company C is a provider of radiotherapy equipment and oncology healthcare services with self-owned and managed hospitals in China. Company C is a public company listed on the Shenzhen Stock Exchange. Headquartered in Qingdao, Company C has approximately 2,098 employees and operating regions across China. Its total revenue in 2022 was approximately RMB1.2 billion.

(4) Established in 2017, Company D is an oncology healthcare service provider that focuses on early screening, treatment and rehabilitation through the cancer care process. Headquartered in Tianjin, Company D is a private company with operating regions across China.

In addition, we ranked second in terms of the number of self-owned or managed healthcare institutions as of December 31, 2022.

**Top Five Players in China's Private Oncology Healthcare Service Market by Number of Self-owned* or Managed** Healthcare Institutions***, December 31, 2022**

| Ranking | Company | Number of Self-owned Private Oncology Healthcare Institutions | Number of Managed Private Healthcare Insititutions |
|---|---|---|---|
| 1 ....... | Company A | 12 | 24 |
| **2 .......** | **Our Company** | **8** | **11**(1) |
| 3 ....... | Company D | 6 | 2 |
| 4 ....... | Company B | 6 | 0 |
| 5 ....... | Company E(2) | 4 | 1 |

*Source: F&S Report*

* *A medical institution is regarded as self-owned if the group owns more than 50% of its equity.*

** *A medical institution is regarded as managed if the group enters into a management service agreement with such institution to provide management services relating to the daily operation and medical equipment of such medical institution, and collect management service fees.*

*** *The healthcare institution listed here is defined as any medical institution that provides oncology healthcare services, include both specialized oncology healthcare institution and comprehensive institution that provides oncology healthcare services.*

(1) The 11 managed private healthcare institutions of our Company primarily include public and private Class II and Class III hospitals.

(2) Established in 2014, Company E is an oncology healthcare service provider with cancer hospitals primarily in the central region of China. Headquartered in Changsha, Company E is a private company with approximately 1,000 employees and operating regions across China.

Identities of our industry peers in the rankings and in the development pipeline chart of proton therapy centers listed below in this section are not disclosed in this document for the following reasons: (1) we believe that the existing information provides sufficient background information about the competitors in accordance with the norm of public disclosures from other companies with the Stock Exchange, and (2) Frost & Sullivan is unable to disclose the names of our industry peers in the F&S Report due to its confidentiality obligations from the legal perspective. According to Frost & Sullivan, information relating to the industry peers is largely based on its primary research, including interviews with employees of such industry peers. As a condition to their participation in such interviews, the interviewees have required Frost & Sullivan to keep the relevant information confidential. In light of such confidentiality obligations, Frost & Sullivan is unable to disclose the names of the industry peers in the F&S Report. Our competitors have not published all of the relevant data which has been disclosed, and our industry consultant made estimates for industry data related to our competitors based on interviews with experts. As such, disclosing the competitors' names may result in disputes between us and our competitors, if they have concerns over the data relating to them or do not want their names quoted in the Document. As the F&S Report is the source for the relevant industry information in this document, we are also unable to disclose the names of the industry peers.

## CHINA'S RADIATION THERAPY MARKET

### Introduction of Radiation Therapy Treatment

Radiation can be used to treat cancer by killing, stopping or slowing the growth of cancer cells (curative radiation therapy), to raise the efficacy of other treatments (adjuvant radiation therapy) or to relieve symptoms if a cure is not possible (palliative radiation therapy). Radiation therapy can cover nearly 95% of all cancer types and 50% of all cancer patients, indicating its broad applications. In addition, 40% of the cured patients adopted radiation therapy. Radiation therapy has been used frequently especially in the treatment of localized tumors, such as head and neck cancer, esophagus cancer, cervix cancer, brain cancer, lymphoma cancer and lung cancer.

Unlike radiation therapy which primarily utilizes radiation beam to treat tumors, radiopharmaceuticals is a therapy stemmed from radiopharmacology. Radiopharmaceuticals selectively transport radionuclides with cytotoxic levels to diseased sites, and use the decay characteristics of radionuclides to release rays or particles to kill diseased cells, thereby achieving the purpose of treatment. Typical radiopharmaceuticals include isotopes drugs, such as sodium iodide 131I and radium chloride 223Ra, and radioligand drugs, such as lutetium Lu 177 dotatate and lutetium Lu 177 vipivotide tetraxetan.

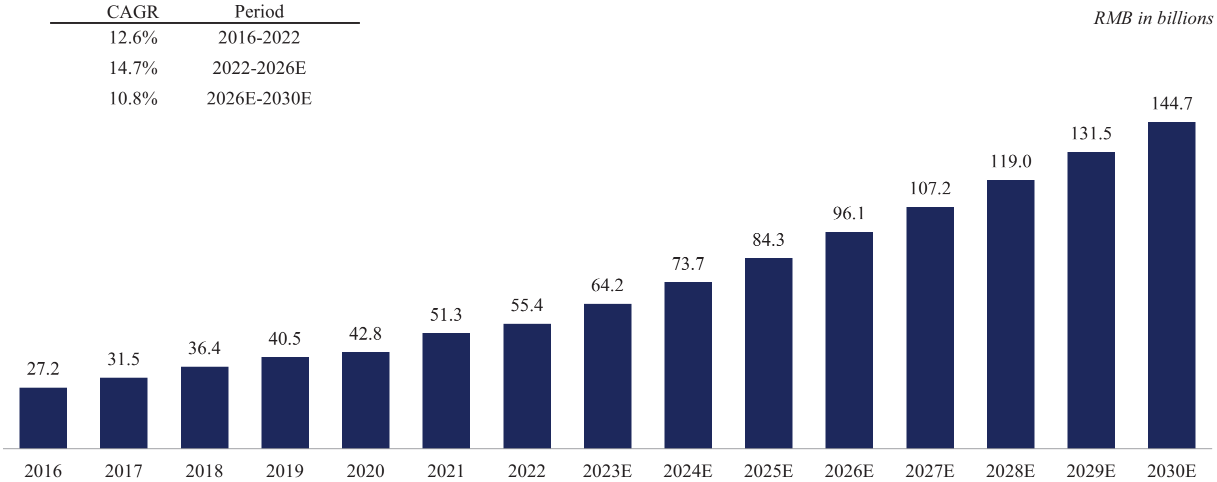
As of the Latest Practicable Date, only seven types of radiopharmaceuticals have been approved by NMPA for oncology treatment and the approved indications are also limited, mainly focusing on the treatment of thyroid disease, malignant tumors, such as prostate cancer, and rheumatoid arthritis. In addition, the implementation of radiopharmaceuticals is quite limited by many factors such as the shortage of qualified physicians and relative experts. The use of radiopharmaceuticals must take into account the location of manufacturing or formulation of the radiopharmaceuticals and many radiopharmaceuticals have limited half-lives and require timely administration. Besides, the preparation, dispensing and disposal of radiopharmaceuticals require radiochemists or radio-pharmacists with relevant expertise.

Compared with radiopharmaceuticals, radiation therapy has much broader indications and is currently one of the main means of oncology treatment. In addition, since the treatment principles of radiopharmaceuticals and radiation therapy is quite different and they may also be used for different indications, there is no direct competition or substitution relationship between the two therapies. Accordingly, the development of radiopharmacology and radiopharmaceuticals generally would not pose significant impact on our business, as our medical institutions primarily focus on providing precision radiation therapy to treat patients.

### Market Size

Historically, the radiation therapy market did not account for a relatively high proportion in the oncology medical service market in China, compared to other treatments such as surgery and medication, due to people's lack of knowledge relating to radiation therapy treatments and limited supply of equipment and radiologists in the market. However, driven by the significant unmet clinical needs of tumor patients, the radiation therapy market in China has been vigorously developed in recent years. According to the research data of the Radiation Oncology Branch of the Chinese Medical Association, from 2015 to 2020, the number of medical institutions carrying out radiation therapy in China increased from 1,413 to 1,538, and the number of accelerators increased from 1,931 to 2,139. Therefore, it is expected that the proportion of the radiation therapy market in the oncology medical service market will continue to increase in the near future. The market size of China's radiation therapy market, in terms of revenue, grew from RMB27.2 billion in 2016 to RMB55.4 billion in 2022, at a CAGR of 12.6%. With increasing prevalence of radiation therapy in China and advancement of radiation therapy technology, the radiation therapy service market is expected to grow at a high speed, reaching RMB96.1 billion in 2026, at a CAGR of 14.7% from 2022 to 2026.

**China's Radiation Therapy Market, 2016-2030E**



*Source: F&S Report*

**Comparative Analysis of Radiation Therapy Resources in China and Developed Countries**

China's radiation therapy market is in its early development stage relative to more mature markets globally, such as the United States, primarily due to the lack of collaboration between surgical and radiation therapy departments in healthcare institutions, the unevenly distributed access across different regions, the insufficient number of professional physicists, and the scarcity of sophisticated radiation therapy equipment. In 2022, the number of linear accelerator units per million population in the United States, Switzerland, Japan and Australia were 12.7, 12.3, 10.1 and 9.1, respectively, higher than that of 1.5 in China. The penetration rate of radiation therapy, defined as the percentage of all cancer patients that receive radiation therapy, was 34% in China in 2022, compared to 64% in the United States in the same year. In addition, there were about less than 3.5 radiation physicists per million population in China in 2022, compared to above 30 in the United States. Meanwhile, the radiation therapy resources are highly concentrated geographically in China. In 2022, the number of linear accelerator units per million population was 1.2 in third-tier and other cities in China, much lower than that of 2.5 in first-tier cities and 1.5 in second-tier cities. China's radiation therapy resource is currently insufficient to meet the growing treatment demand of cancer patients, indicating significant market growth potential.

**Key Drivers and Development Trends**

Key growth drivers and development trends of China's radiation therapy market include the following.

- *Increasing adoption of radiation therapy.* Due to the shortage of radiation therapy devices and experts, the adoption of radiation therapy is insufficient in China compared to the rising number of cancer patients. With the advancement of medical infrastructure and improving acceptance of radiation therapy, the market share of radiation therapy will rise in China.
- *Continuous improvement in quality control.* Strict implementation of quality control measures improves accuracy and efficacy of radiation therapy treatment. In the past five years, the National Cancer Quality Control Center of the PRC released a series of guideline on procedure quality control for radiation therapy to promote standardization of the industry.
- *Advancement of technologies.* Precision radiation therapy technologies, such as real-time monitoring of tumor location, have improved the irradiation accuracy. In addition, the combined treatment of radiation therapy and immunotherapy has been prevailing, which may significantly prolong cancer patients' survival time.
- *Application of remote radiation therapy.* Infrastructure construction based on 5G network will promote the implementation of remote radiation therapy technologies and treatment. Remote radiation therapy may improve treatment efficiency through digitalized systems, making quality medical resources available to lower-tier cities, and therefore effectively alleviate the uneven distribution of medical resources in China.

## CHINA'S PRECISION RADIATION THERAPY MARKET

**Introduction of Precision Radiation Therapy and Proton Therapy**

As a state-of-the-art approach to cancer treatment, precision radiation therapy reengineers the use of radiation energy to release potent yet controlled delivery of radiation energy directly and precisely to the tumor tissues, with minimum damages to surrounding normal tissues and organs, which significantly improves the efficacy of radiation therapy treatment while limiting side effects and risks. Precision radiation therapy primarily includes 3D conformal technologies, IMRT, IGRT, SRT, and proton therapy. The application of these technologies is gradually realized, in order to further improve the precision of radiation therapy. Because of the more complex medical equipment and procedures adopted in performing precision radiation therapy, the pricing for precision radiation therapy treatment is generally higher than other radiation therapy treatments. Specifically, 3D conformal technologies and IMRT are used as mainstream methods in oncology healthcare service industry in China, but the application of more advanced techniques such as VMAT and SRT is in its early stage. From 2015 to 2020, the number of radiation therapy units capable of carrying out VMAT increased from 112 to 514, indicating that China's advanced radiation therapy technology is developing. In the future, with the continuous development of precision radiation therapy technologies, corresponding radiation therapy equipment will also be installed in more hospitals in China, especially grassroots hospitals. Meanwhile, with the advancement of training on the use of precision radiation therapy technologies, more radiologists are able to apply the technologies in clinical practice, and it is expected that the penetration rate of precision radiation therapy will further increase. The following table sets forth the detailed comparison among main precision radiation therapy techniques.

**Comparison among Main Precision Radiation Therapy Techniques**

| | | Intensity Modulated Radiation Therapy (IMRT) | Volumetric Modulated Arc Therapy (VMAT) | Stereotactic Radiation Therapy (SRT) | Proton Therapy |
|---|---|---|---|---|---|
| Classification | Main Machines | Advanced LINAC with 3D-CRT, IMRT, VMAT, SRT | | | Proton radiotherapy system |
| Technical Features | Technology Features | IMRT is an advanced form of 3D-CRT. The radiation beam used by IMRT is carefully customized, and the shape of the radiation beam can match the shape of cancer. The radiation beam can move along an arc when delivering radiation. | VMAT can continuously transmit radiation dose as the treatment equipment rotates, and change the radiation dose by continuously adjusting the angle and dose rate of the machine head. | Stereotactic Radiation Therapy (SRT) uses coordinates provided by imaging scans to accurately direct high-dose radiation beams to the tumor. | After the particles reach the lesion, the radiation will instantly release a large amount of energy, forming an energy release trajectory called the "Bragg Peak", which can reduce damage to healthy tissues while focusing on blasting the tumor. |
| | Indication Coverage | Wide | | Used to treat small, early-stage cancer | Wide |
| | Ray Type | Photon | | | Particle |
| | Equipment Cost | RMB 5 million to RMB 50 million | | | RMB300 million to RMB700 million |
| Patient Expenses and Treatment Duration | Treatment Cost per Course for Patients | RMB 30 thousands to RMB 50 thousands | RMB50 thousands to RMB 100 thousands | RMB 50 thousands to RMB100 thousands | RMB 300 thousands |
| | Course of Treatment | 40 days | | 14 days | 14 days |
| Market Performance and Potential | 2022 Market Share | 38.0% | 36.5% | 5.7% | 0.8% |
| | Current Market Performance and Future Trends | IMRT is currently the mainstream technology utilized to perform precise radiation therapy and has already been used for decades. Hence, although the penetration rate of IMRT will keep rising among patients with cancer, the growth rate will much lower than the technologies which are currently at an early stage. | The development of VMAT is much latter than that of IMRT. With the increased number of expertise qualified to utilize this technology and more relevant equipment installed, the penetration of VMAT will grow rapidly in the future. | The development of SRT technology is also currently at an early stage, and the indication is more limited than VMAT, the growth rate is lower than that of VMAT historically. As the patients with cancer are more likely to be diagnosed and treated at an early stage with the development of relevant diagnostic technologies, the growth rate of patients accepting SRT radiation therapy will rise more intensively. | As more proton therapy centers are expected to acquire medical device registration certificates for proton therapy equipment and accept patients in the coming years, more patients will be able to receive proton therapy that is more precise and safer, bringing an intensive increase of penetration rate and the market as well. |
| Advantages | | The penetration rate of IMRT is relatively high in hospitals, and patients have high accessibility to it for reducing damage to surrounding tissues. | VMAT's continuous arc delivery system significantly reduces treatment time, improving patient comfort and convenience. | It gives high doses of radiation safely and accurately over just a few treatments (usually one to five sessions in total). | Proton therapy has fewer side effects, reduces overall toxicity, improves quality of life during and after treatment. |
| Disadvantages | | IMRT is a more conformal technique, and its is possible to miss regions that are at risk of harboring tumor cells, which could lead to recurrences. | While VMAT is designed to minimize exposure to healthy tissue and reduce side effects, some patients may still experience skin irritation, fatigue, and other side effects associated with radiation therapy. | SRT is suitable only for small, well-defined tumors that can be seen through imaging, such as CT or MR scans, and thus is not suitable for all situations. | Proton therapy is generally more expensive than other forms of radiation therapy, due to the specialized equipment and personnel required. |

*Source: F&S Report*

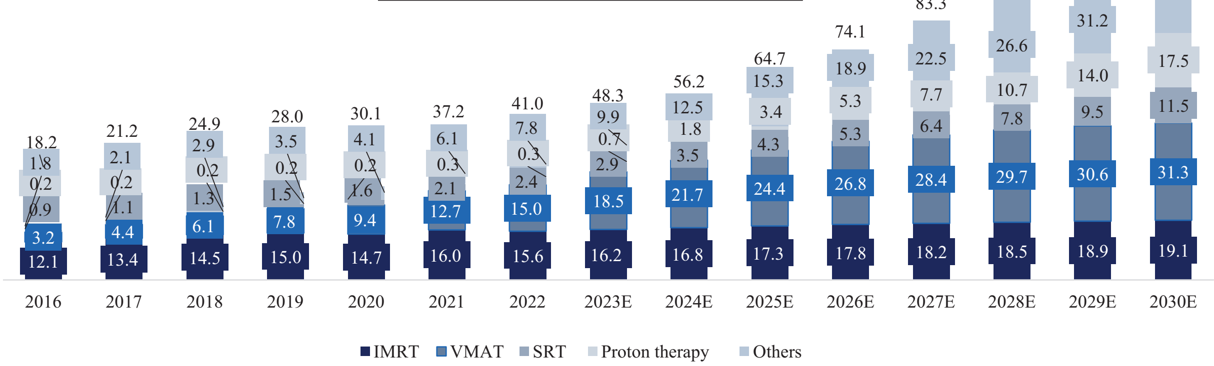
Proton therapy is one of the most advanced precision radiation therapy treatment options. Photon therapy uses photon beams, where radiation energy gradually attenuates as it travels through the body, with limited power while reaching the tumor. A proton beam, however, has the signature energy distribution curve, known as the Bragg peak, where energy release reaches the maximum at a certain point. Consequently, protons can be controlled to release the maximum energy pinpointing the tumor tissues and achieve the best therapeutic effect and the minimized damages to the surrounding healthy tissues. As a result, proton therapy is a preferred option for treating certain types of cancers where photon therapy would damage surrounding tissues to an unacceptable level, especially for various localized cancers with a large patient population in China, such as NPC and lymphoma.

### Market Size

China’s precision radiation therapy market accounted for approximately 74.0% of China’s radiation therapy market in 2022, and its market share is expected to continuously grow to 79.7% by 2030 driven by the technological advancement, prevalence and effectiveness of precision radiation therapy. The market size of China’s precision radiation therapy market, in terms of revenue, grew from RMB18.2 billion in 2016 to RMB41.0 billion in 2022, at a CAGR of 14.5%. With the advancement of precision radiation therapy technology, China’s precision radiation therapy market is expected to reach RMB74.1 billion in 2026, at a CAGR of 15.9% from 2022 to 2026.

**China's Precision Radiation Therapy Market, 2016-2030E**

| Period | CAGR |
|---|---|
| 2016-2022 | 14.5% |
| 2022-2026E | 15.9% |
| 2026E-2030E | 11.7% |




*Source: F&S Report*

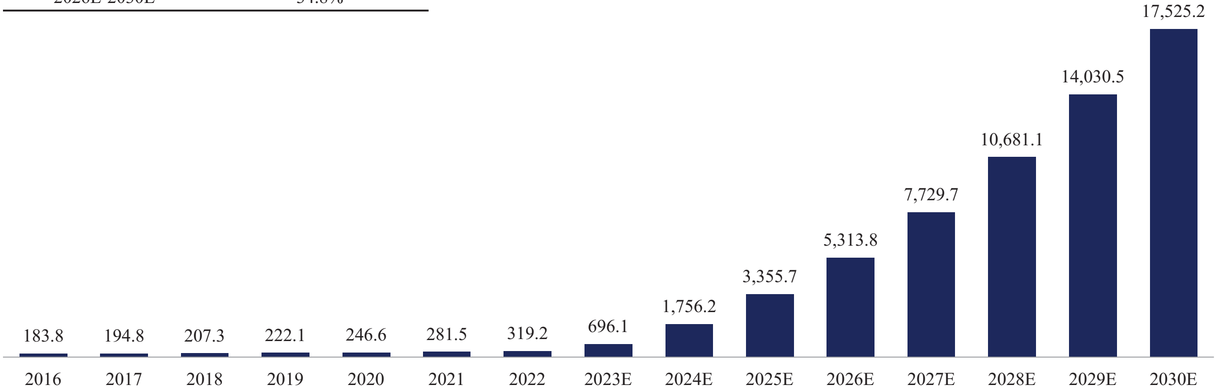
**Introduction of China's Proton Therapy Market**

The market size of China's proton therapy market, in terms of revenue, grew from RMB183.8 million in 2016 to RMB319.2 million in 2022, at a CAGR of 9.6%, and is expected to reach RMB5,313.8 million in 2026, at a CAGR of 102.0% from 2022 to 2026, primarily driven by more proton centers available in the market with expanded service capacity, as well as the increasing awareness of radiation therapy, the significant unmet market demands, and advancement of proton therapy technology. At present, proton therapy is in short supply in China. Proton therapy facilities are rarely established in China. There were two proton therapy centers in operation in China in 2022, compared with 43 in the United States in the same year. Meanwhile, the penetration rate of proton therapy in China is still very low. The proportion of patients who need to receive radiation therapy in 2022 to number of proton centers is 1,443.0 thousand per proton center in China. compared to 26.8 thousand per proton center in the United States. Accordingly, there is still a short supply of proton therapy services in China. In 2022, the market size of the precision radiation therapy market in the United States was US$20.8 billion in terms of revenue, of which the market size of the proton therapy market was US$1.7 billion in terms of revenue, accounting for 8.2% of the precision radiation therapy market. Compared to the proton therapy market size in the United States, China's proton therapy market is at a nascent stage. Even though there are no potential treatments and/or therapies on the market that could potentially replace or compete with proton therapy, proton therapy facilities are rarely established in China. On the one hand, patients in China have relatively limited awareness of the cutting-edge proton therapy technologies and purchasing power to pay for such relatively expensive medical services, resulting in underdeveloped proton therapy demands. On the other hand, the procurement, installment, adjustment and clinical trial processes for proton therapy facilities can be lengthy and costly with unpredictable outcomes, which requires extensive upfront investments and related experiences, so that only a limited number of medical institutions in China have the capability to establish proton therapy centers.

In specific, the only two proton therapy centers in operation in China in 2022 are each equipped with four treatment rooms, respectively. The two centers had a total patient size of approximately 1,000 patients in 2022, with a total revenue of approximately RMB319.2 million in the same year. As of the Latest Practicable Date, there were four proton therapy centers under operation in China. In addition, there were two proton therapy centers newly opened in 2023, which are still in their initial stage of operation. As of the Latest Practicable Date, it has been found through public information that approximately 31 proton therapy centers in China were still under construction. Among them, 15 proton therapy centers have obtained the License for the Deployment of Large-scale Medical Equipment for their proton therapy equipment, and three hospitals have completed the clinical trials or under clinical trial stage. In addition, with the continuous optimization and upgrading of proton equipment introduced in China, it is expected that the maximum number of patients treated by a single proton center will further expand, contributing to the significant increase in market size in the next five years.

**China's Proton Therapy Market, 2016-2030E**

| Period | CAGR |
|---|---|
| 2016-2022 | 9.6% |
| 2022-2026E | 102.0% |
| 2026E-2030E | 34.8% |



*Source: F&S Report*

The following table sets forth the development pipeline of proton therapy centers of our peer companies as of the Latest Practicable Date.

| Hospital[1] | Configure Permissions | Building construction/Site preparation/ Equipment lifting and handling | Debugging of Equipments | Clinical Trials Ongoing | Acquisition of Medical Device Registration Certificate for proton therapy equipment |
|---|---|---|---|---|---|
| Peer Hospital 1 | ✓ | ✓ | ✓ | ✓ | ND |
| **Guangzhou Hospital** | **x** | **✓** | **✓** | **Ongoing** | **ND** |
| Peer Hospital 2 | ✓ | ✓ | ✓ | Ongoing | ND |
| Peer Hospital 3 | x | ✓ | Ongoing | ND | ND |
| Peer Hospital 4 | ✓ | ✓ | Ongoing | ND | ND |
| Peer Hospital 5 | ✓ | ✓ | Ongoing | ND | ND |
| Peer Hospital 6 | x | ✓ | Ongoing | ND | ND |
| Peer Hospital 7 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 8 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 9 | x | Ongoing | ND | ND | ND |
| Peer Hospital 10 | x | Ongoing | ND | ND | ND |
| Peer Hospital 11 | x | Ongoing | ND | ND | ND |
| Peer Hospital 12 | x | Ongoing | ND | ND | ND |
| Peer Hospital 13 | x | Ongoing | ND | ND | ND |
| **Shanghai Hospital** | **x** | **Ongoing** | **ND** | **ND** | **ND** |
| Peer Hospital 14 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 15 | x | Ongoing | ND | ND | ND |
| Peer Hospital 16 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 17 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 18 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 19 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 20 | ✓ | Ongoing | ND | ND | ND |
| Peer Hospital 21 | x | Ongoing | ND | ND | ND |
| Peer Hospital 22 | x | Ongoing | ND | ND | ND |
| Peer Hospital 23 | ✓ | ND | ND | ND | ND |
| Peer Hospital 24 | ✓ | ND | ND | ND | ND |
| Peer Hospital 25 | ✓ | ND | ND | ND | ND |
| Peer Hospital 26 | x | ND | ND | ND | ND |
| Peer Hospital 27 | x | ND | ND | ND | ND |
| Peer Hospital 28 | x | ND | ND | ND | ND |
| Peer Hospital 29 | x | ND | ND | ND | ND |

*Note: ND = Not Disclosed; "✓"refers that this section has been completed*

(1) Peer Hospital 1 is located in Hefei, Anhui Province. It was jointly built by the government of Hefei and the Hefei Institute of Materials Science, Chinese Academy of Sciences. It is a public hospital affiliated with a university.
Peer Hospital 2 is located in Zhuozhou, Hebei Province. It is a Class III private tumor specialty hospital that integrates medical treatment, teaching, scientific research, prevention, and rehabilitation.
Peer Hospital 3 was established in 2017 and is a Class III private oncology specialty hospital located in Guangzhou.
Peer Hospital 4 was founded in 1990 and has four hospital parks and 63 clinical and medical technology departments. It is a Class III Grade A comprehensive hospital located in Wuhan. Peer Hospital 5 was established in 1866, with 6,000 beds and 49 clinical and medical technology departments. It is a large comprehensive teaching hospital located in Wuhan with a long history. Peer Hospital 6

was established in 1985 and is a Class III Grade A hospital with a focus on traditional Chinese medicine. It has over 1,800 employees and is located in Kunshan.

Peer Hospital 7 was founded in 1979 and is located in Sichuan. It is the largest Class III Grade A cancer specialty hospital in the southwest region, integrating tumor prevention, treatment, rehabilitation, scientific research, and teaching. The hospital has 1,520 open beds and 40 clinical departments.

Peer Hospital 8 is a Class III Grade A oncology specialty hospital jointly established by the National Cancer Center and the Shenzhen government. It was officially operational in 2017 and is located in Shenzhen.

Peer Hospital 9 is located in Tianjin and is a specialized oncology hospital with a planned bed capacity of 1,200 and an area of 133,000 square meters.

Peer Hospital 10 is located in Chongqing and is a Class III oncology specialty hospital that provides comprehensive treatments. The total land area is 176.6 acres, with a designed total of 1,700 beds.

Peer Hospital 11 is located in Quanzhou, Fujian. It is designed as a Class III Grade A comprehensive hospital with a planned capacity of 2,000 beds, a total land area of approximately 150 acres, and a total construction area of 480,000 square meters.

Peer Hospital 12 is located in Qingdao, Shandong Province. Construction will begin in 2022, with a focus on the oncology discipline. According to the design of a Class III Grade A specialized hospital, the hospital has a total of 1,000 beds and a total construction area of approximately 165,000 square meters.

Peer Hospital 13 was established in Guangzhou in 2011 and is a tertiary hospital affiliated with a university. It has introduced multiple tumor radiotherapy equipment.

Peer Hospital 14 was built in Chengdu and started construction in 2021. The first phase of the project plans to set up 500 beds and aims to become a hospital with distinctive oncology specialties.

Peer Hospital 15 is a private proton therapy center locating in Xuzhou, Shandong province. It was jointly established by an enterprise founded in 2005 and Xuzhou Central Hospital. It has been establishing since 2018.

Peer Hospital 16 is a public-owned Class III Grade A oncology-specialized hospital locating in Langfang, Hebei province, which is affiliated to Chinese Academy of Medical Sciences and has been establishing since 2021.

Peer Hospital 17 is a public-owned Class III Grade A oncology-specialized hospital locating in Chongqing city, which is established since 1934 and affiliated to Chongqing University.

Peer Hospital 18 is a private general hospital invested by a listed enterprise on Shenzhen Stock Exchange. It locates in Xi'an, Shaanxi province, and has been officially accepting patients since 2019.

Peer Hospital 19 is a public-owned Class III Grade A oncology-specialized hospital locating in Tianjin. It was established since 1986 and affiliated to Tianjin Medical University.

Peer Hospital 20 is a public-owned branch proton therapy center of a Class III Grade A hospital established since 1936. It locates in Yangzhou, Jiangsu province.

Peer Hospital 21 is a private hospital located in Foshan, Guangdong province, which has been established since 2022. It is a subsidiary proton therapy center of a non-profit private hospital invested by a listed enterprise on Shenzhen Stock Exchange.

Peer Hospital 22 is private specialized hospital locating in Putian, Fujian province, which is a wholly-owned subsidiary of a state-owned enterprise and has been established since 2020.

Peer Hospital 23 is a public-owned Class III Grade A oncology-specialized hospital, which was officially accepting patients since 1984 and locates in Changchun, Jilin province.

Peer Hospital 24 is a public-owned Class III Grade A general hospital located in Zhengzhou, Henan province. It is affiliated to Zhengzhou University and has been accepting patients since 1928.

Peer Hospital 25 is a public-owned Class III Grade A general hospital locating in Shenyang, Liaoning province. It is affiliated to China Medical University and has been accepting patients since 1908.

Peer Hospital 26 is a private hospital locating in Changchun, Jilin province. It has been officially accepting patients since 2022.

Peer Hospital 27 is a private Class III cancer hospital officially accepting patients since 2018. It locates in Bo'ao, Hainan province.

Peer Hospital 28 is a public-owned proton therapy center located in Nanchang, Jiangxi Province, which is jointly established a public oncology-specialized hospital in Jiangxi province, a non-bank financial institution, and an international supplier of proton radiotherapy equipment.

Peer Hospital 29 is a private hospital locating in Changsha, Hunan Province, which is a wholly-owned subsidiary of a state-owned enterprise. It has been established since 2023.

*Source: F&S Report and public information*

**Competitive Landscape**

We have strong radiation therapy capacity with a number of radiation therapy equipment units, proton therapy equipment units and complementary facilities. We ranked second in terms of self-owned or managed radiation therapy units, and second in terms of self-owned or managed proton therapy rooms, as of December 31, 2022.

**Top Five Players in China's Private Oncology Healthcare Service Market by Number of Self-owned or Managed* Radiation Therapy Equipment Units, December 31, 2022**

| Ranking | Company | Number of Self-owned Radiation Therapy Equipment Units | Number of Managed Radiation Therapy Equipment Units |
|---|---|---|---|
| 1 . . . . . . | Company A | 18 | 30 |
| **2** . . . . . . | **Our Company** | **8**(1) | **10**(1) |
| 3 . . . . . . | Company C | 10 | 1 |
| 4 . . . . . . | Company E | 7 | 1 |
| 5 . . . . . . | Company B | 3 | 0 |

*Source: F&S Report*

** A radiation therapy equipment is regarded as managed if the group manages the rights and interests of such equipment of the corresponding managed private healthcare institution.*

(1) The eight self-owned and 10 managed radiation therapy equipment of our Company primarily include linear accelerators, head gamma knife equipment, neutron knife equipment and proton therapy equipment.

In addition, we are among a handful of oncology healthcare groups that are early adopters of precision radiation therapy in China, according to the F&S Report. As of June 30, 2023, we owned or managed 18 sets of precision radiation therapy equipment in our self-owned medical institutions and partnered hospitals.

**Key Drivers and Development Trends**

Key growth drivers and development trends of China's precision radiation therapy market and proton therapy market include the following.

- *Increasing affordability.* With the increasing governmental support and the rising resident income level, more people are able to afford premium cancer treatment, leading to increasing willingness to pay for precision radiation therapy. Moreover, the expansion of commercial medical insurance coverage makes precision radiation and proton therapy treatments more affordable for patients in China.
- *Clinical support and experience accumulation.* As the radiation therapy industry has grown, an increasing number of patients have been treated with radiation therapy, which has also allowed the relevant medical staff and physicists to accumulate a variety of clinical experiences and evidence. In recent years, relevant clinical guidelines have been issued continuously. Relevant clinical guidelines have been issued continuously to cultivate more medical practitioners to operate complex precision radiation therapy and proton therapy treatments. For instance, a medical physics practice guideline for linear accelerator based stereotactic radiotherapy was released in 2021. Support of cutting-edge clinical guidelines and accumulated clinical experiences contribute to delivering better treatment in precision radiation therapy and proton therapy market.
- *Autonomous research and development for higher end devices.* Currently, high-end radiation therapy devices mainly rely on imports, which runs a risk of supply chain management. Autonomous research and development not only avoids the risk of supply chain management, but also benefits cost reduction to enable more residents to pay for precision radiation therapy. In the future, with the support of policies, as well as the advancement of scientific research and talents training in related basic disciplines, industry-university-research will be developed together to achieve autonomous research and development and domestic replacement of high-end radiation therapy equipment.
- *Advancement in technologies.* Research and development of high-end precision radiation therapy and proton therapy equipment will be incentivized by the supportive policies and maturing industry disciplines. Leveraging innovative technologies, such as big data and imaging technologies, medical practitioners are able to provide more precise and comprehensive tumor treatment.

**Entry Barriers**

Entry barriers for China's precision radiation therapy market and proton therapy market include the following.

- *Capital resources.* New entrants typically need abundant initial capital to establish a proton therapy center, including the equipment procurement, installation, calibration and maintenance. It generally takes five to 10 years from plan formulation to clinical operation in order to commence operations for a proton therapy center. Furthermore, given the high construction and maintenance costs, it can take months or even years for a newly established proton therapy center to achieve monthly breakeven and much longer to recoup the initial investment.
- *Regulatory requirements.* The PRC government has heightened legal and regulatory requirements for medical institutions which purchase large-scale medical equipment. In May 2018, the NHC and NMPA introduced a large-scale medical equipment quota in the Circular on Issuing the Administrative Measures for Allocation and Use of Large-scale Medical Equipment (for Trial Implementation) (關於印發大型醫用設備配置與使用管理辦法（試行）的通知). It indicates that the quota of proton therapy systems in China is allocated based on regional demand, which intensifies the market competition and makes it difficult to apply for a proton therapy equipment license. As of December 31, 2022, a total of only 16 medical institutions in China had been licensed for the proton therapy equipment in accordance with the notice.
- *Well-trained professionals.* Physicians, physicists, and other medical professionals capable of performing precision radiation therapy treatment, particularly proton therapy, are in great demand. Moreover, due to the complicated processes involved, a high degree of knowledge and experience is required in order to properly and effectively perform the treatment. Recruiting, nurturing and retaining experienced experts to form a high-caliber team requires significant time and resources.
- *Brand recognition.* Cancer patients are inclined to choose oncology healthcare intuitions with established brand and renowned expertise, as backed by professional facilities, notable medical experts and a proven track record of successful treatment performance. However, new market entrants, due to their limited operating history, often lack such brand recognition and may require a significant lead time to achieve a stable flow of patients.

**CHINA'S CANCER TREATMENT SUPPORT SERVICE MARKET**

**Introduction of Cancer Treatment Support Services**

Cancer treatment support services cover all kinds of services that enable medical institutions to establish, operate and optimize their radiation therapy and diagnostic imaging facilities. It consists of two categories, offline services and cloud platform services. Offline services primarily include (1) supply chain services, such as sales and leasing of equipment, sales of radiation sources, and facility design, and (2) technical support services, such as personnel training and academic research. Cloud platforms integrate core resources of, among others, medical expertise, IT and supply chain management, to support the operations and medical excellence for medical institutions, especially those in lower-tier cities. For instance, cloud platforms enable the remote access to diagnostic imaging reports and radiation therapy modeling information for online joint consultations conducted by physicians at different medical institutions, helping alleviate the uneven distribution of critical medical resources in China.

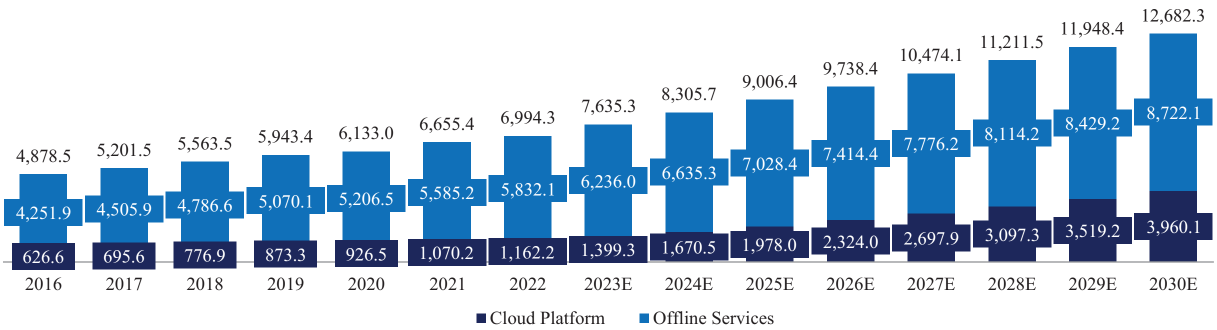
**Market Size**

The market size of China's cancer treatment support service market, in terms of revenue, grew from RMB4.9 billion in 2016 to RMB7.0 billion in 2022, at a CAGR of 6.2%. With the increasing need to even the medical resource distribution, China's cancer treatment support service market is expected to reach RMB9.7 billion in 2026, at a CAGR of 8.6% from 2022 to 2026. In particular, the market of cloud platform services is expected to grow at a faster rate from RMB626.6 million in 2016 to RMB1,162.2 million in 2022, at a CAGR of 10.8%, and further to RMB2,324.0 million in 2026, at a CAGR of 18.9% from 2022 to 2026.

**China's Radiation Therapy and Diagnostic Imaging Support Service Market, 2016-2030E**

*RMB in millions*

| CAGR | 16-22 | 22-26E | 26E-30E |
|---|---|---|---|
| Cloud Platforms | 10.8% | 18.9% | 14.3% |
| Offline Services | 5.4% | 6.2% | 4.1% |
| Total | 6.2% | 8.6% | 6.8% |




*Source: F&S Report*

As of December 31, 2016, there were approximately 30 cloud platform providers in China's cancer treatment support service market, the number of which increased to approximately 50 as of December 31, 2022. In addition, the number of offline service providers in the market increased from approximately 40 as of December 31, 2016 to approximately 100 as of December 31, 2022.

**Competitive Landscape**

China's cancer treatment support service market is highly fragmented, with the top five players accounting for an aggregate market share of only 13.6% in terms of revenue in 2022. We ranked No. 2 as measured by the revenue generated from cancer treatment support service in the market in 2022.

**Top Five Players in China's Cancer Treatment Support Service Market by Revenue, 2022**

| Ranking | Company | Revenue | Market Share | Scale of Operations |
|---|---|---|---|---|
| | | *(RMB in Millions)* | | |
| 1 . . . . . . | Company F[(1)] | 286.7 | 4.1% | Registered capital was RMB338.5 million |
| **2** . . . . . . | **Our Company** | **253.8** | **3.6%** | |
| 3 . . . . . . | Company G[(2)] | 200.1 | 2.9% | Registered capital was RMB45.0 million |
| 4 . . . . . . | Company A | 168.4 | 2.4% | Registered capital was RMB0.05 million |
| 5 . . . . . . | Company H[(3)] | 40.0 | 0.6% | Registered capital was RMB274.6 million |

*Source: F&S Report*

(1) Established in 2014, Company F is specializing in the investment and operation of medical imaging centers, the development of medical imaging cloud platform technology, the training of medical imaging professionals, and the provision of services across the medical imaging industry chain. Company F is a private company with operating regions across China. Its total revenue in 2022 was approximately RMB0.8 billion.

(2) Established in 1998, Company G is a specialized enterprise in the radiotherapy field that integrates production, sales, investment, services, and consulting. Headquartered in Beijing, Company G is a private company with operating regions across China and has approximately 150 employees.

(3) Established in 2016, Company H is focusing on the application of big data and artificial intelligence technologies in the field of healthcare, and providing products and solutions in the health and medicine area. Headquartered in Beijing, Company H is a private company with operations in China, the United States and Singapore.

We have accumulated rich experience and secured stable supply of quality medical equipment through our long-standing operations in China's cancer treatment support service market, which serve as our competitive edges. Moreover, our Jiahe Yunying Remote Imaging Information Diagnosis Platform and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform were shortlisted for 5G+ Medical and Health Application Pilot Project List (5G+醫療健康應用試點項目名單) organized by the MIIT and the NHC in China. With our portfolio of cloud platforms, we believe we can capitalize on the upside potential in the market to solidify our leadership position.

**Key Drivers and Development Trends**

Key growth drivers and development trends of China's cancer treatment support service market include the following.

- *Advancement in technologies.* Big data, cloud, AI and other advanced technologies have been steadily improving to meet the technical demands of medical digital services. For instance, AI technology has enabled automatic screening and processing of medical diagnosis results, and cloud technology has facilitated remote diagnosis and treatment. Furthermore, healthcare service providers are expected to leverage the innovative technologies to better understand patients' conditions and needs and provide personalized healthcare services.

- *Government support.* Due to the scarce and unevenly distributed medical resources in China, patients in lower-tier cities lack quality diagnosis and treatment. The PRC government has continuously implemented supportive policies. For instance, government authorities have promulgated a number of policies and measures to encourage the provision of online consultation, prescription and drug purchasing services in response to the COVID-19 pandemic, such as the Guidance on Actively Promoting the "Internet +" Medical Insurance Payment Work promulgated by the National Healthcare Security

Administration in October 2020. Encouraged by the supportive policies, cloud-based online platforms are expected to promote the development of remote healthcare services.

- *More even distribution of medical resources*. Oncology treatment resources are unevenly distributed in China, which causes patient overcrowding in large hospitals and lack of high-level expertise in small- and medium-sized hospitals. On the one hand, the adoption of cloud-based platforms improves the operational efficiency of large hospitals by providing them with digitalized systems. On the other hand, cloud-based platforms also benefit smaller hospitals in improving treatment accuracy by connecting them with external experts for joint medical consultations and peer reviews.
- *Focus on treatment quality.* In order to improve the overall quality of radiation therapy in the China market, the PRC government has been devoted to promoting quality control standards on radiation therapy. For instance, China's National Oncology Quality Control Center, an affiliate of the NHC, announced various major projects for the research and establishment of quality control standards on radiation therapy in recent years. With the continuous devotion to treatment quality, the demand for both online and offline training and consulting services is likely to witness a vibrant growth.
- *Increased numbers of radiation therapy equipment and personnel.* The density of radiation therapy equipment in China is lower relative to more mature markets globally. For instance, China's density of linear accelerator was 1.5 units per million population in 2022, compared to 12.7 units in the United States. Therefore, as part of its initiative to improve cancer treatment, the PRC government has set goals to increase the number of linear accelerators nationwide, among others. As radiation therapy equipment is typically highly complex, medical institutions often engage consulting service on the selection and configurations. Medical institutions may also utilize financing options, such as leasing, in light of the substantial capital investments required in purchasing such equipment. Moreover, in order to increase the availability of radiation therapy in China, medical institutions need more professional medical personnel well-versed in oncology healthcare and related equipment operations, which in turn calls for the needs of training services.

**Entry Barriers and Challenges**

Entry barriers and challenges for China's cancer treatment support service market primarily include (1) necessity of advanced technologies, including the combination of hardware, software and algorithms, which are required to realize the diversified functions of cloud-based platforms; (2) difficulty in sourcing medical resources from medical institutions, insurance agencies and pharmaceutical companies and integrating them into medical digital platforms; (3) demands for teams of high-caliber physicians and other medical professionals to be assembled through cloud-based platforms to provide quality remote services to patients and medical institutions; (4) heightened requirement for brand awareness and reputation, which is the principal consideration for medical institutions in choosing cloud-platform provider partners; and (5) limitation as to service scenarios due to lack of face-to-face physician-patient interaction, which is more challenging for cloud-based platforms without omni-channel access or multi-media function.

## OVERVIEW

Our business in the PRC is subject to a variety of PRC laws, rules and regulations promulgated by the PRC government. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business.

## LAWS AND REGULATIONS ON CORPORATION

### Company Law of PRC

The PRC Company Law (中華人民共和國公司法) was promulgated on December 29, 1993 by the SCNPC, last amended and came into effect on October 26, 2018. All companies established in the PRC are subject to the PRC Company Law. The PRC Company Law regulates the establishment, operation, corporate structure, and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

### Shareholders' General Meeting

According to the PRC Company Law, a shareholders' general meeting of a company limited by shares shall be constituted by all the shareholders; the shareholders' general meeting shall be the authority of the company and shall exercise duties and powers in accordance with the provisions the PRC Company Law.

A shareholders' general meeting shall be convened once every year. An extraordinary shareholders' general meeting shall be convened within two months in case of the certain events specified in the PRC Company Law.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Pursuant to the PRC Company Law, Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the PRC Company Law, resolutions of the general meeting shall be passed by more than half of the voting rights held by shareholders (including those represented by the appointed representative), with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the Articles of Association, which in each case shall be passed by at least two-thirds of the voting rights held by the shareholders (including those represented by the appointed representative).

The shareholders may entrust the entrusted representative to attend the general meeting of shareholders, and the power of attorney shall specify the scope of exercising the voting right.

The PRC Company Law has no specific provisions on the quorum of shareholders.

### Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any otherwise stipulated legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

### Restrictions on Shareholding and Transfer of Shares

According to the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

## REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

### Opinions of the Central Committee of the Communist Party and the State Council on Deepening the Reform of the Medical and Healthcare System

The Opinions of the Central Committee of the Communist Party and the State Council on Deepening the Reform of the Medical and Healthcare System (中共中央、國務院關於深化醫藥衛生體制改革的意見) (the "Opinions"), which were promulgated by the State Council on March 17, 2009, advocate a range of measures to reform medical institutions in the PRC and to establish a basic healthcare system covering urban and rural residents. The Opinions encourage private capital to invest in medical institutions (including investments by foreign investors), the development of private medical institutions and the reform of public medical institutions (including those established by state-owned enterprises) through private capital investment.

### Opinions on Encouraging and Guiding the Healthy Development of Private Investment

The Opinions on Encouraging and Guiding the Healthy Development of Private Investment (鼓勵和引導民間投資健康發展的若干意見), which was promulgated by the State Council on May 7, 2010, requires the PRC Government to (1) encourage private capital participation in the development of medical business, support the use of private capital in building medical institutions such as all kinds of hospitals, community health service institutions, sanatoriums, outpatient departments, clinics and health centers (stations), participate in the systemic reform and restructuring of public hospitals, support private medical institutions in providing public health services, basic medical services and designated medical insurance services, implement tax policy in relation to none profit-making medical institutions in a practical manner, encourage a reasonable flow of medical personnel resources to private medical institutions, ensure that private medical institutions receive treatment equal to that of public hospitals in terms of the introduction of talents, job appraisal and scientific research; (2) strengthen the regulation of all kinds of medical institutions in aspects such as medical quality, medical conduct, and fee standards, and promote the healthy development of private medical institutions.

### Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital

On November 26, 2010, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Forwarding the Opinions of NDRC, the Ministry of Health (the "MOH") and Other Ministries on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (關於進一步鼓勵和引導社會資本舉辦醫療機構意見) (the "Notice"). The Notice set out the following measures with respect to expanding the scope of accesses for social capital to establish medical institutions, including: social capital is encouraged and supported to establish various medical institutions, social capital may independently apply for establishing either for-profit medical institutions (the "PMIs") or non-profit medical institutions (the "NMIs") according to its business purposes; priority shall be given to social capital in adjustment and addition of medical and healthcare resources; to reasonably determine the scope of practice of non-public medical institutions; overseas capital is permitted to establish medical institutions; overseas and domestic medical institutions, enterprises and other economic organizations are permitted to establish medical institutions in the form of equity or cooperative joint venture. The restrictions on maximum equity proportion of overseas capital in domestic medical institutions will be canceled gradually. Simplify and regulate the procedures for the examination and approval of hospitals run by foreign investors. The establishment of Sino-foreign equity joint venture and Sino-foreign cooperative joint venture medical institutions shall be subject to the examination and approval of provincial level health departments and commercial departments. In addition, for further improving the practice environment for the establishment of medical institutions by social capital, the Notice also implements the taxation and price polices for the NMIs, entry policy for service providers to be included in the scope of medical insurance plans, optimizing policies for employment environment, supporting policies for purchase of large-scale medical equipment, improved land policies polices for the NMIs, and etc.

**Several Opinions on Promoting the Development of Healthcare Service Industry**

Several Opinions on Promoting the Development of Healthcare Service Industry (國務院關於促進健康服務業發展的若干意見) (the "2013 Opinions") was promulgated by the State Council on September 28, 2013. The 2013 Opinions encourages the private sector to invest in the healthcare service industry by various means including new establishment of the NMIs and provision of basic medicine and health services with social capitals. The 2013 Opinions proposes to take measures to further relax the limitations for establishing hospitals on the basis of Sino-foreign joint venture and cooperation, and gradually expand the pilot project for qualified foreign capital to set up wholly foreign-owned medical institutions.

**Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals**

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (關於加快發展社會辦醫的若干意見), which were promulgated by the National Health and Family Planning Commission (the "NHFPC") and the Nation Administration of Traditional Chinese Medicine (the "NATCM") on December 30, 2013, stipulate the policies to support the development of private-invested healthcare institutions, including but not limited to the (1) gradual relaxation of investment in healthcare institutions by foreign capital; (2) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; (3) relaxation of requirements for the deployment and use of large-scale medical equipment in private hospitals; (4) improvement of supporting policies for the development of private hospitals in aspects such as medical insurance and price control; and (5) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

**Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services**

Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (關於支持社會力量提供多層次多樣化醫療服務的意見), which was promulgated by the General Office of the State Council on May 16, 2017, stipulates the policies to actively support social forces to go deep into the niche service market, such as specialized medical services, expand the effective supply of services, and foster professionalized advantages. A number of competitive branded service agencies will be formed at a rapid pace for such specialties including but not limited to oncology.

**Opinion on Promoting the Sustainable, Healthy and Regulated Development of Private Medical Institutions**

The Opinion on Promoting the Sustainable, Healthy and Regulated Development of Private Medical Institutions (促進社會辦醫持續健康規範發展意見), which was promulgated by the NHC and other departments on June 10, 2019, provides that the PRC government aims to increase support to private medical institutions, including but not limited to expanding the development space and land supply, promoting the government procurement of services, implementing preferential tax policies, improving the efficiency of access approval, as well as further relaxing planning restrictions.

**Opinions on Deepening the Reform of the Medical Insurance System**

In order to solve the problem of unbalanced and insufficient growth of medical insurance, the Central Committee of the Communist Party and the State Council promulgated the Opinions on Deepening the Reform of the Medical Insurance System (關於深化醫療保障制度改革的意見) (the "Medical Insurance System Opinions") on February 25, 2020, main opinions as follows: (1) improve the treatment guarantee mechanism; (2) establish the robust and sustainable financing operation mechanism; (3) establish the feasible and efficient medical insurance payment mechanism; and (4) build the rigorous fund supervision mechanism. Based on the main opinions aforementioned, the Medical Insurance System Opinions mainly target on providing better guarantee for universal medical services shall be achieved.

**REGULATIONS ON THE CLASSIFICATION AND THE ADMINISTRATION OF MEDICAL INSTITUTIONS**

**Opinions on Implementing Classification Administration of Urban Medical Institutions**

The Opinions on Implementing Classification Administration of Urban Medical Institutions (關於城鎮醫療機構分類管理的實施意見), which were jointly promulgated by the MOH, NATCM, Ministry of Finance (the

"MOF") and NDRC on July 18, 2000 and came into effect on September 1, 2000, provide that NMIs and PMIs shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. The pricing guidance stipulated by governments from time to time for medical service in NMIs is not subject to PMIs. Also, PMIs may distribute their profit to their investors as economic returns. Medical institutions shall file written statements of their not-for-profit/for-profit status with relevant authorities of health when they go through application, registration and re-examination procedures in accordance with relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such healthcare institution based on its source.

**The Administrative Regulations on Medical Institutions and its Implementation Rules**

The Administrative Measures on Medical Institutions (醫療機構管理條例), which was promulgated on February 26, 1994 by the State Council, came into effect on September 1, 1994 and amended on February 6, 2016 and March 29, 2022, and it's Implementation Measures (醫療機構管理條例實施細則), which was promulgated by the MOH on August 29, 1994 and amended on November 1, 2006, June 24, 2008 and February 21, 2017, stipulate that the establishment of a medical institution by an entity or individual that is required by the provisions of the State Council to obtain an approval letter for the setup of a medical institution shall go through the examination and approval procedures with the health administrative department of the local people's government at the county level or above and obtain the approval letter for the setup of a medical institution. Medical institutions must be registered for practice and obtain the Medical Institution Practicing License (醫療機構執業許可證) and clinics may practice after filing a record with the health administrative department of the people's government at the county level in the places where they are located in accordance with the provisions of the health administrative department of the State Council. The Medical Institution Practicing License shall not be forged, altered, sold, transferred or lent. Where a medical institution violates the provisions hereof, and sells, transfers or lends the Medical Institution Practicing License, the competent health department of the people's government at the county level or above shall order it to make corrections, confiscate its illegal gains, and impose a fine of not less than five times but not more than 15 times the illegal gains; if the illegal gains are less than RMB10,000, the amount shall be taken as RMB10,000 for calculation; if the circumstance is serious, the Medical Institution Practicing License shall be revoked.

**The Notice on the Issuance of the Interim Measures for the Administration of Clinic Filing**

The notice on the issuance of the Interim Measures for the Administration of Clinic Filing (關於印發《診所備案管理暫行辦法》的通知) was issued by the NHC and the National Administration of Traditional Chinese Medicine on December 20, 2022, which stipulates that the establishment of a clinic by a unit or individual shall be reported to the health administrative department or the competent department of traditional Chinese medicine of the people's government at the county level where the clinic is to be set up for the record, and the practice activities can be carried out after obtaining the clinic record certificate. Clinics that have obtained the Medical Institution Practicing License before the implementation of the aforementioned provisions shall directly put on record, and the transition time is one year.

**The Administrative Measures for the Verification of Medical Institutions (For Trial Implementation)**

The Administrative Measures for the Verification of Medical Institutions (For Trial Implementation) (醫療機構校驗管理辦法(試行)), which were promulgated by the MOH and came into effect on June 15, 2009, stipulate that the Medical Institution Practicing License is subject to periodic examinations and verification by registration authorities. Verification period shall be three years for general hospitals, hospitals of traditional Chinese medicine, hospitals of western medicine and traditional Chinese medicine, hospitals of ethnic minority medicine and specialized hospitals, as well as sanitariums, rehabilitation hospitals, maternity and children's health care centers, emergency centers, clinical laboratories and specialized disease prevention institutions equipped with more than 100 beds, while the verification period shall be one year for other medical institutions. In the event that a medical institution fails to apply for verification as required and post re-verification procedures or unsuccessful in its re-verification application, the registration authorities may cancel its Medical Institution Practicing License.

**Administrative Measures on Radiodiagnosis and Radiotherapy**

According to Administrative Measures on Radiodiagnosis and 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 radiodiagnosis and radiotherapy shall be equipped with conditions suitable for the radiodiagnosis and radiotherapy services. Prior to carrying out radiodiagnosis and radiotherapy, medical institutions shall submit relevant materials, including but not limited to the Medical Institution Practicing License or the Approval Certificate for Establishment of a Medical Institution, 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 health administrative departments. After obtaining the License for Radiotherapy, medical institutions shall undertake registration of the relevant diagnosis and treatment subjects with health administrative practice registration departments, which issued the Medical Institution Practicing License. The License for Radiotherapy and the Medical Institution Practicing License shall be verified at the same time. Medical institutions shall formulate contingency plans for the prevention and disposition of radiation events, and shall conduct investigation and disposition in a timely manner where certain radiation events occurs. Where a medical institution violates the provisions hereof, and works on radiodiagnosis and radiotherapy without getting the License for Radiotherapy, or fails to handle the registration of diagnosis and treatment subjects, or fails to conduct the verification according to the relevant provisions, the health administrative department of the people's government at the county level or above shall give a warning and impose a fine of not more than RMB3,000; where the circumstance is serious, the Medical Institution Practicing License shall be revoked.

### Administrative Measures for Food Operation Licensing and Record-filing

According to the Administrative Measures for Food Operation Licensing and Record-filing (食品經營許可和備案管理辦法) promulgated by the SAMR on June 15, 2023 and effected on December 1, 2023, a Food Operation License (食品經營許可證) shall be obtained in accordance with the law to engage in food selling and catering services within the territory of PRC.

## REGULATIONS RELATING TO THE ONLINE MEDICAL SERVICES

### The Guiding Opinions of the State Council on Vigorously Advancing the "Internet Plus" Action

According to the Guiding Opinions of the State Council 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, the new mode of online medical treatment and public health shall be promoted. It is imperative to develop online medical treatment and public health services based on the internet, support third-party institutions to build the service platforms for sharing medical information such as medical images, health archives, testing reports, electronic medical records and other medical information, and gradually set up the standard system for cross-hospital sharing and exchange of medical data. The mobile internet shall be vigorously used to provide online appointments for diagnosis and treatment, reminder of waiting for diagnosis, pricing and payment, inquiry about diagnosis and treatment reports, drug delivery and other convenient services. Medical institutions shall be guided in providing basic-level checkups, higher-level diagnosis and other long-distance medical care services to small and medium-sized cities and rural areas. Internet enterprises shall be encouraged to cooperate with medical institutions in establishing online medical information platforms, strengthen the integration of regional medical care and health service resources, make full use of the internet, big data and other means, and improve the capability to prevent and control major diseases and breaking public health events. Internet-extended doctor's advice, electronic prescription and other internet medical care and health service applications shall be vigorously explored. Qualified medical inspection institutions and medical service institutions shall be encouraged to collaborate with internet enterprises to develop gene testing, disease prevention and other health service modes.

### The Opinions on Promoting the Development of "Internet Plus Health Care"

In April 2018, the Opinions on Promoting the Development of "Internet Plus Health Care" (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 encouraged medical institutions to apply the internet and other information technologies to expand the space and content of health care services, build an online and offline integrated health care service model that covers the whole process of health care. Internet hospitals depending on medical institutions shall be allowed. Medical institutions may use internet hospitals as their secondary name and, based on the physical hospitals, use Internet technology to provide safe and appropriate health care services, allowing follow-up online subsequent visits for some common diseases and chronic diseases. After acquiring documents on the medical records of patients, physicians shall be allowed to write prescriptions online for some common diseases and chronic diseases. Medical institutions and qualified third-party institutions shall be supported in setting up Internet information platforms to provide telemedicine, health consultation, and health management services so as to promote the effective communication among hospitals, medical personnel, and patients.

**The Administration of Internet Diagnosis and Treatment (Trial) and Other Two Documents**

On July 17, 2018, the NHC and the NATCM 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 Hospitals (Trial) (互聯網醫院管理辦法(試行)) and the Specifications 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 Diagnosis and Treatment (Trial), internet diagnosis and treatment activities shall be provided by the medical institutions that have obtained a "Medical Institution Practicing License," and such medical institution shall file an application for practicing registration of Internet diagnosis and treatment activities with the authority issuing the Medical Institution Practicing License if it intends to carry out Internet diagnosis and treatment activities. Where the application is accepted, registration shall be conducted, and "Internet diagnosis and treatment" shall be added to the service mode in the duplicate of the Medical Institution Practicing License. The Internet-based diagnosis and treatment activities carried out by a medical institution shall be consistent with its diagnosis and treatment 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.

Pursuant to the Measures for the Administration of Internet Hospitals (Trial), "internet hospitals" include: (a) internet hospitals as the second name of physical medical institutions, and (b) internet hospitals that are independently established by relying on the physical medical institutions. 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 hospitals may provide contract signing for family doctors. When diagnosis and examination need to be conducted by medical staff members in the event of change in the disease of a patient, the medical institution and its medical staff members shall immediately stop Internet diagnosis and treatment activities and direct patients to receive medical treatment in a physical medical institution. Internet hospitals who provide internet diagnosis and treatment activities shall strictly comply with the Measures for the Administration of Prescriptions and other provisions on the administration of prescriptions (處方管理辦法). Before issuing a prescription online, the physician shall have the patient's medical records and issue a prescription online for a same disease diagnosed after confirming that the patient is specifically diagnosed in a physical medical institution to have a common disease or chronic disease or several common diseases or chronic diseases.

**The Rules on the Supervision of Internet Diagnosis and Treatment (Trial)**

On February 8, 2022, the NHC and the NATCM jointly promulgated the Rules on the Supervision of Internet Diagnosis and Treatment (Trial) (互聯網診療監管細則(試行)). Pursuant to such rules, physicians who practice at internet hospitals other than their main institutions of practice shall file Multi-site Practice Registration/Filing. A medical institution shall conduct real-name verification for the medical staff members carrying out internet diagnosis and treatment activities.

**The Specification for the Internet Diagnosis and Treatment Service (Trial)**

The Company's internet hospitals business mainly practice in Ningxia. On August 19, 2020, the Health Commission of Yinchuan issued the Specification for the Internet Diagnosis and Treatment Service (Trial) (銀川市互聯網診療服務規範(試行)) ("Specification") which has been implemented on September 1, 2020, to further set forth requirements for the conduct of internet hospital and doctors, and provide guideline for internet diagnosis medical records, rational drug use, medical quality supervision and data security.

**The Implementing Plan for the Filing of Internet Medical Practitioners**

According to the Implementing Plan for the Filing of Internet Medical Practitioners (互聯網醫師執業「電子證」備案實施方案), promulgated by Yinchuan Administrative Approval Service Bureau on February 11, 2018, so as to promote administration efficiency, the medical practitioners employed by the Internet hospital registered in Yinchuan, shall be able to practice and obtain the corresponding prescription right in such internet hospital after filing with the Yinchuan Internet Hospital Medical Practitioners Service Platform.

## REGULATIONS ON PHARMACEUTICALS AND MEDICAL DEVICES IN MEDICAL INSTITUTIONS

### Medical Product Administration Law of the PRC and its Implementing Rules and Measures for Supervision and Administration of Drugs of Medical Institutions (For Trial Implementation)

According to the Medical Product Administration Law of the PRC (中華人民共和國藥品管理法), which was promulgated by the SCNPC on September 20, 1984 and amended on February 28, 2001, December 28, 2013, April 24, 2015 and August 26, 2019, and took effect on December 1, 2019, the Regulations for the Implementation of the Drug Administration Law of the PRC (中華人民共和國藥品管理法實施條例), which was promulgated by State Council on August 4, 2002 and amended on February 6, 2016, March 2, 2019 and the Measures for Supervision and Administration of Drugs of Medical Institutions (For Trial Implementation) (醫療機構藥品監督管理辦法(試行)), which was promulgated by CFDA and came into effect on October 11, 2011, medical institutions must purchase medical products from marketing authorization holders or enterprises qualified for the manufacture or distribution of medicinal products. For import drugs, the drug importer shall file a record with the local drug regulatory department in the place where the port is located with the Import Drug License or Pharmaceutical Product License and other documents.

The NMPA publicly solicited opinions on the Regulations for the Implementation of the Drug Administration Law of the PRC (Revised Draft for Comment) (中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)) on May 9, 2022, which further strengthens drug supervision and regulation. This draft regulation has not yet come into effect, and the relevant provisions of such regulation is subject to the officially final version to be promulgated upon effective.

### Opinions on Promoting Drug Pricing Reform

The Opinions on Promoting Drug Pricing Reform (推進藥品價格改革的意見), which was promulgated by the NDRC, the NHFPC, the State Food and Drug Administration, Ministry of Commerce (the "MOFCOM") and other three departments on May 4, 2015, sets forth that from June 1, 2015, except for narcotic drugs and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing will be cancelled. Specifically, the prices of narcotic drugs and Class I psychotropic drugs are still subject to maximum factory prices and maximum retail prices set by the NDRC for the time being. The medical insurance regulatory authority shall, along with other competent departments, draw up provisions in relation to the standards, procedures, basis and methods of the payment of drugs paid by medical insurance funds. With regard to patented drugs and exclusively produced drugs, the prices thereof are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the Medical Insurance Drugs List, immunity and prevention drugs that are purchased by the PRC government in a centralized manner, and AIDS antiviral drugs and contraceptives provided by the PRC government for free, shall be set through tendering purchase or negotiation. Except as otherwise mentioned above, the prices for other drugs may be determined by the manufacturers and the operators on their own on the basis of production or operation costs and market supply and demand.

### Opinions of the General Office of the State Council on Promoting the Centralized Volume-based Procurement of Drugs in a Normalized and Institutionalized Manner

The Opinions of the General Office of the State Council on Promoting the Centralized Volume-based Procurement of Drugs in a Normalized and Institutionalized Manner (國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見), which was promulgated by General Office of the State Council on January 22, 2021, sets forth the following basic principles for the centralized volume-based procurement of drugs: (1) adhere to demand orientation and give priority to quality. Based on the clinical demand of drugs and in light of the medical insurance fund and patients' affordability, reasonably determine the scope of drugs to include in centralized volume-based procurement regime, ensure drug quality and supply, and meet the people's basic needs for drugs; (2) adhere to market leadership and promote competition, establish an open and transparent market competition mechanism, guide enterprises to conduct fair competition based on cost and quality, and improve the market price discovery mechanism; (3) adhere to the combination of bidding and procurement and the connection between quantity and price, specify procurement quantity, cut price based on quantity, ensure usage, smooth the process of procurement, use, settlement and other procedures, and effectively control drug rebates; and (4) adhere to policy convergence and departmental coordination, refine the supporting policies for drug quality supervision and administration, production and supply, circulation and distribution, medical services, medical insurance payment, market regulation, etc., strengthen departmental coordination, pay attention to the integration, collaboration and efficiency of systematical reform to support and promote the system of centralized volume-based procurement of drugs.

**The Measures for the Administration of Radioactive Pharmaceuticals**

The Measures for the Administration of Radioactive Pharmaceuticals (放射性藥品管理辦法), which were promulgated by the State Council and came into effect on January 13, 1989 and revised on January 8, 2011, March 1, 2017 and March 29, 2022, require healthcare institutions to comply with relevant national regulations and rules when engaging in research work, production, business, transportation, consumption, examination, supervision and administration work related to radioactive drugs. Any healthcare institution that wants to use radioactive pharmaceuticals must obtain the Permit for the Use of Radioactive Pharmaceuticals (放射性藥品使用許可證) from the drug supervision administrative departments at the provincial, regional or municipal levels, as applicable. The Permit for the Use of Radioactive Pharmaceuticals is valid for five years and is of varying grades based on the competence of the nuclear medicine technicians and the equipment conditions of the healthcare institution.

**Regulations on the Administration of Narcotic Drugs and Psychotropic Drugs**

According to the Regulations on the Administration of Narcotic Drugs and Psychotropic Drugs (麻醉藥品和精神藥品管理條例), which was promulgated by the State Council on August 3, 2005, amended on December 7, 2013 and February 6, 2016, any medical institution needs to use narcotic drugs and the psychotropic drugs of category I shall be subject to the approval of the competent department of health, and obtain the seal card for purchasing narcotic drugs and the psychotropic drugs of category I (麻醉藥品、第一類精神藥品購用印鑒卡). If a medical institution which holds the License of Preparations of Medical Institution (醫療機構製劑許可證) and a Seal Card needs to dispense for clinical use any narcotic pharmaceutical or psychotropic substance which is not available on the market, the preparation shall be subject to approval by the competent provincial, regional or municipal drug supervision and administration department. The pharmaceutical preparations of a narcotic pharmaceutical or psychotropic substance dispensed by the medical institution may only be used in the institution itself and may not be marketed.

**The Measures on the Supervision and Administration of the Business Operations of Medical Devices**

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 Business Operations of Medical Devices"), which was promulgated by CFDA on July 30, 2014 and amended on November 17, 2017 and March 10, 2022, and took effect on May 1, 2022, applies to any business activities of medical devices as well as the supervision and administration thereof conducted within the territory of the PRC. Pursuant to the Measures on Business Operations of Medical Devices, medical devices are divided into three classes depending on the degree of risks of medical devices. Entities engaged in distribution of Class III medical devices shall obtain a medical device operating license and entities engaged in distribution of Class II medical devices shall complete filings with the competent local MPA, while entities engaged in distribution of medical devices of Class I are not required to conduct any filing or obtain any license.

**The Measures for the Supervision and Administration of Medical Device Manufacture**

The Measures for the Supervision and Administration of Medical Device Manufacture (醫療器械生產監督管理辦法) (the "Measures on Manufacture of Medical Devices"), which was promulgated by CFDA on July 20, 2004 and amended on July 30, 2014, November 17, 2017 and March 10, 2022, and became effect on May 1, 2022, applies to the manufacture of medical devices, as well as the supervision and administration thereof, within the territory of the PRC. Pursuant to the Measures on Manufacture of Medical Devices, the manufacture of medical devices is administered by categorization according to the degree of risks of medical devices. Those engaged in the manufacture of Class II or Class III medical devices shall be approved by the drug regulatory authority of a province, autonomous region or centrally-administered municipality where they are located and obtain the manufacturing permit for medical devices in accordance with the law; and those engaged in the manufacture of Class I medical devices shall go through the record-filing formalities for the manufacture of medical devices with the drug regulatory authority at the level of city divided into districts where they are located.

**Regulations on Supervision and Administration of Medical Devices**

Pursuant to the Measures on Business Operations of Medical Devices, in the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the risk levels associated with each medical device. According to the Regulations on Supervision and Administration of Medical Devices (醫療器械監督管理條例) promulgated by the State Council on January 4, 2000, amended on March 7, 2014, May 4, 2017 and February 9, 2021, for Class I medical devices, the record-filing administration shall be implemented, while for Class II and Class III devices, the registration administration shall be implemented. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the medical products administration. 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). Meanwhile, medical institutions that purchase and use large-scale medical equipment are required to obtain the License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證) issued by the health departments at province level or above. Any entity that purchases or uses large-scale medical equipment without permission shall be ordered by the health department at the county level or above to stop the use, given a warning, and its illegal income be confiscated; and if the illegal income is less than RMB10,000, a fine of not less than RMB50,000 but not more than RMB100,000 shall be imposed; and if the illegal gains are more than RMB10,000, a fine of not less than ten times but not more than 30 times the illegal income shall be imposed; where the circumstances are serious, the application for purchase license for large-sized medical equipment filed by the relevant liable persons and entities shall not be accepted within five years, the income of the legal representative, the primary person in charge, the directly responsible person in charge, and other liable persons of the illegal entity obtained from the entity during the period when the violation of laws occurs shall be confiscated, and a fine of not less than 30% of nor more than three times the income obtained shall be imposed.

**Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (For Trial Implementation)**

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (For Trial Implementation) (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 and came into effect on the same day, stipulates that the large-scale medical equipment refers to the large-scale medical devices that adopt complex technology, require large capital investment, have high operation costs, have significant impact on medical expenses, and have been included in the large-scale medical equipment catalogue management. The State administrates large-scale medical equipment through the classified and hierarchical allocation plan and through the issue of License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證) according to the catalogue. The large-scale medical equipment allocation management catalogue is divided into Category A and Category B. 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 by it; 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 by them. 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.

**Implementation Rules for the Administration of License for Deployment of Category A Large-scale Medical Equipment**

The Implementation Rules for the Administration of License for Deployment of Category A Large-scale Medical Equipment (甲類大型醫用設備配置許可管理實施細則) was promulgated by the NHC on May 30, 2018 and came into effect on the same day. Pursuant to such implementation rules, the conditions of applying for the License for Deployment of Category A Large-scale Medical Equipment are as follows: (1) complying with the NHC's Planning of Deployment for Category A large-scale medical equipment; (2) licensed Medical Institution with corresponding diagnosis and treatment subjects; (3) equipped with technical conditions, supporting facilities and professional personnel with corresponding qualifications and capabilities, which are compatible with the large-scale medical equipment applied; (4) having a sound medical quality assurance system.

The NHC shall entrust a third party to conduct expert review of the application materials which shall generally be completed within 90 days after such third party accepts the entrustment. The NHC shall make a decision on whether to approve the application within 20 working days after the acceptance notice of the application materials is issued based on the allocation plan and the third-party review opinions, and the expert review time shall not be counted in such period. If such period needs to be extended due to special reasons, it can be extended by 10 working days upon approval. The NHC shall issue the License for Deployment of Category A Large-scale Medical Equipment within 10 working days after making the decision to approve the application.

**Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2023)**

The Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2023) (關於發佈大型醫用設備配置許可管理目錄(2023年)的通知) promulgated by the NHC on March 3, 2023, stipulates the Category A and Category B of large-scale medical equipment. Pursuant to such catalog, proton therapy equipment is classified as "heavy ion and proton radiotherapy system", which is categorized into Category A of large-scale medical equipment.

**Notice of the Issuance of the "14th Five-Year Plan" Large-scale Medical Equipment Configuration Plan**

The Notice of the Issuance of the "14th Five-Year Plan" Large-scale Medical Equipment Configuration Plan (關於發佈"十四五"大型醫用設備配置規劃的通知) promulgated by the NHC on June 21, 2023, stipulates the number of large-scale medical equipment planned nationwide during the "14th Five-Year Plan" period and the relevant admission standards for the Category A and Category B of large-scale medical equipment.

**Notice on completing the application for the License for Deployment of Category A Large-scale Medical Equipment in 2023**

The Notice on completing the application for the License for Deployment of Category A Large-scale Medical Equipment in 2023 (關於做好2023年甲類大型醫用設備配置許可申報工作的通知) promulgated by the NHC on September 28, 2023, stipulates the application arrangement of the License for Deployment of Category A Large-scale Medical Equipment in 2023, and the relevant examination and approval service guidelines, application instructions and evaluation criteria.

**Notice on Opinions on the Implementation of the "Two-Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation)**

On December 26, 2016, eight government departments including the CFDA issued the Notice on Opinions on the Implementation of the "Two-Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)的通知), which stipulates that the "Two-Invoice System" refers to issuing invoice at the time from a pharmaceutical manufacturer to a circulating enterprise, and issuing invoice again at the time from a circulating enterprise to a medical institution. This notice requires public medical institutions to gradually implement the "Two-Invoice System" for drug procurement and encourages other medical institutions to promote the "Two-Invoice System".

**Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals**

On March 5, 2018, six government departments including the NHC issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知), which stipulates the deepening of comprehensive reforms in public hospitals, including, among others, the implementation of the centralized purchase of high-value medical consumables, and that the "Two-Invoice System" in relation to high-value medical consumables shall be gradually implemented.

**Notice on Printing and Distributing the Reform Plan for the Management of High-Value Medical Consumables**

On July 19, 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-Value Medical Consumables (關於印發治理高值醫用耗材改革方案的通知), which encourages local governments to adopt the "Two-Invoice System" combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales.

**Reply of the National Healthcare Security Administration to Recommendation No. 1209 of the Second Session of the 13th National People's Congress**

On July 23, 2019, the National Healthcare Security Administration issued the Reply of the National Healthcare Security Administration to Recommendation No. 1209 of the Second Session of the 13th National People's Congress (國家醫療保障局對十三屆全國人大二次會議第1209號建議的答覆), which stipulates that "Two-Invoice System" for high-value medical consumables needs to be further discussed given the huge differences between high-value medical consumables and pharmaceuticals and the complexity of clinical use and after-sales service.

**Regulations on the Safety and Protection of Radioisotopes and Radiation Devices**

According to Regulations on the Safety and Protection of Radioisotopes and Radiation 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 amended on July 29, 2014 and 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, amended on December 6, 2008, December 20, 2017, August 22, 2019 and 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 devices shall obtain a corresponding license from the competent environment protection department. In addition, medical or healthcare institutions using radioisotopes or radiation devices for diagnosis and therapy shall also obtain an institutional license for radioactive source diagnosis and therapy technologies and medical radiation.

**REGULATIONS ON THE PRICE OF HEALTHCARE SERVICES AND MEDICINE**

**Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions**

According to the Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (關於非公立醫療機構醫療服務實行市場調節價有關問題的通知) promulgated and implemented on March 25, 2014 by NDRC, the NHFPC and the Ministry of Human Resources and Social Security (the "MHRSS"), the price of healthcare services provided by non-public medical institutions to be set with reference to the market level. Non-public medical institutions which are for-profit in nature may set the price list for their healthcare services at their own discretion. Non-public medical institutions which are non-profit in nature shall set the price list for their healthcare services according to the National Standard Price List of Healthcare Services (全國醫療服務價格項目規範). For non-public medical institutions qualified to become designated medical institutions covered by medical insurance, they should be included as a designated service providers covered by social insurance such as basic medical insurance for employees and urban residents, new-type rural cooperative medical insurance, work-related injury insurance and maternity insurance in accordance with relevant procedures and adopt the same payment policy as in public hospitals. To efficiently utilize funds, medical insurance agents should determine specific payment methods and standards with such non-public medical institution by ways of negotiation under the requirements of medical insurance payment system reform.

**Regulations on 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 MOH, the Ministry of Labor and Social Security and the NATCM on May 11, 1999, and 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 MHRSS 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 by MHRSS on December 2, 2015, and became effective on the same day, the license for qualifying a medical institution as a designated medical institution to provide medical service to urban employees with basic medical insurance was canceled. 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.

## REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

### Physicians Law of PRC

Pursuant to the PRC Physicians Law(中華人民共和國醫師法) promulgated by the SCNPC on August 20, 2021 and came into effect from March 1, 2022, physicians shall adhere to the safe, effective, economical, and reasonable drug use principles, use drugs rationally by following the guiding principles, for the clinical application of drugs, guidelines for clinical diagnosis and treatment, and drug instructions. In the absence of effective or better treatment methods or under other special circumstances, after obtaining patients' clear and informed consent, physicians may adopt drug usage not expressly specified in the drug instructions if there is an evidence-based practice of implementing such treatment.

### Administrative Measures for the Registration of Practising Physicians

Pursuant to the Administrative Measures for the Registration of Practising Physicians (醫師執業註冊管理辦法) promulgated by the NHFPC on February 28, 2017 and became effective on April 1, 2017, medical physicians must register and obtain the Physician Practising Certificate (醫師執業證書) before they commence practice and, those who fails to obtain the Physician Practising Certificate upon registration are not allowed to engage in medical, preventive and healthcare services. The contents of the registration of a practising physicians include place of practice, category of registered specialty and scope of practice. The place of practice refers to the provincial administrative division of the location of the medical, preventive and healthcare institutions where the physician is practising. For practising physician who wants to practice in multiple institutions at the same place of practice, he/she shall determine one institution as the main practicing institution, apply for registration with the competent health authority which approved the aforesaid institution's operation; as to other institutions where the practitioner is to practice, the practising physician shall apply the record filing with the health authorities competent to approve the institutions' operation and indicate the name of the institutions.

### Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from Ministry of Health

The Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from the MOH (關於印發<推進和規範醫師多點執業的若干意見>的通知) jointly promulgated by five departments, on November 5, 2014, and became effective on the same date, stipulates clinical physicians, dentists and Chinese medicine physicians are permitted for practising at multiple sites. Physicians practising in multiple sites shall have intermediary or above technical skills and has been in the same profession for more than five years. Practising physicians practising outside of their first practice site shall practice the same registered specialty as their first practice site and the scope of practice shall be the same as Class II diagnosis and treatment of the first practice site.

### Regulations on Nurses

The Regulations on Nurses (護士條例) which was promulgated by the State Council on January 31, 2008, came into effect on May 12, 2008 and amended on March 27, 2020, provides that for nursing practice, a nurse must go through the practice registration and obtain the Nurse Practising Certificate (護士執業證書), which is valid for five years. A medical institution shall be equipped with at least enough number of nurses as prescribed by the health administration department of the State Council, otherwise the medical institution shall be ordered to make a correction within a time limit and given a warning by the health department of the local people's government at or above the county level. If it fails to make a correction within the time limit, its diagnosis and treatment subjects shall be checked and reduced as well as the number of lawful practicing nurses in the medical and health institution, or its practices shall be suspended for not less than 6 months but not more than one year.

### Administrative Measures for the Registration of Practising Nurses

Pursuant to the Administrative Measures for the Registration of Practising Nurses (護士執業註冊管理辦法) promulgated by the MOH on May 6, 2008 and became effective on May 12, 2008 and amended by NHFPC on January 8, 2021, nurses must register and obtain the Nurse Practising Certificate before they practice nursing at the registered practising place. The Nurse Practising Certificate shall indicate the nurse's name, gender, date of birth and other personal information, as well as the certificate serial number, registration date and place of practice.

## REGULATIONS ON PHARMACEUTICAL OPERATION

### Drug Administration Law of the PRC, Implementation Rules for the Drug Administration Law of the PRC and Measures for the Administration of Pharmaceutical Operation License

The Drug Administration Law of the PRC (中華人民共和國藥品管理法) (the "Drug Administration Law") was promulgated by the SCNPC on September 1984 and latest amended in 2019 , which regulates all entities or individuals engaging in research, manufacture, operation, use, supervision and management of drugs within the PRC. According to the Drug Administration Law, no pharmaceutical operation, including pharmaceutical whole sale and pharmaceutical retail business, is permitted without obtaining the Pharmaceutical Operation License. If the trading of drugs is conducted without a Pharmaceutical Operation License, the illegal incomes by selling drugs shall be confiscated and the local Food and Drug Administration, shall impose the fine ranging from 15 to 30 times of the value of the illegally sold drugs (including sold or unsold drugs). The Implementation Rules for the Drug Administration Law of the PRC (中華人民共和國藥品管理法實施條例), was promulgated by the State Council in August 2002 and amended in 2016 and 2019, which emphasized the detailed implementation rules of drugs administration. The CFDA promulgated the Measures for the Administration of Pharmaceutical Operation License (藥品經營許可證管理辦法) in February 2004 as amended in 2017, which stipulates the procedures for applying the Pharmaceutical Operation License and the requirements and qualifications for pharmaceutical wholesalers or pharmaceutical retailers with respect to their management system, personnel, facilities and etc. The valid term of the Pharmaceutical Operation License is five years and shall be renewed through application six months prior to its expiration date.

### Measures on Prescription Drugs and OTC Drugs Classification Management (Trial) and Interim Provisions on the Circulation of Prescription and OTC Drugs

Pursuant to the Measures on Prescription Drugs and OTC Drugs Classification Management (Trial) (處方藥與非處方藥分類管理辦法(試行)) and the Interim Provisions on the Circulation of Prescription and OTC Drugs (處方藥與非處方藥流通管理暫行規定), which were both promulgated by the State Drug Administration, which was restructured and integrated into the CFDA, and became effective on January 1, 2000, drugs are divided into prescription drugs and over-the-counter drugs, or OTC drugs. For prescription drugs, the dispensing, purchase and use can only be based on the prescription issued by the certified medical practitioner or certified medical assistant practitioner. OTC drugs, on the other hand, are further divided into Class A and Class B and they both can be purchased and used without a prescription and promoted in public upon approval by the relevant governmental authorities. The pharmaceutical wholesale enterprises distributing prescription drugs and/or OTC drugs, as well as pharmaceutical retail enterprises selling prescription drugs and/or Class-A OTC drugs are required to obtain the Pharmaceutical Operation License.

### Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals

Pursuant to the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals (藥品流通監督管理辦法), promulgated by the CFDA on January 31, 2007 and effective on May 1, 2007, pharmaceutical manufacture and operation enterprises and medical institutions shall be responsible for the quality of pharmaceuticals they manufacture, provide or use. The operation of prescription drugs is highly regulated under these rules. Prescription drugs may not be sold by pharmaceutical retail enterprises without valid prescriptions.

## REGULATIONS ON PHARMACISTS

### Administrative Measures for the Registration of Licensed Pharmacists

The Administrative Measures for the Registration of Licensed Pharmacists (執業藥師註冊管理辦法) (the "Licensed Pharmacists Administrative Measures") promulgated by the NMPA on June 18, 2021 and came into effect on the same day. The Licensed Pharmacists Administrative Measures shall apply to the registration of licensed pharmacists and related supervision and administration, pursuant to which, a person may practice as a licensed pharmacist only after being registered and having obtained a Licensed Pharmacist Registration Certificate of the PRC. Licensed pharmacists shall be responsible for drug administration, prescription verification and dispensing, guidance on rational drug use, and other work in accordance with the Licensed Pharmacists Administrative Measures.

## REGULATIONS ON MEDICAL INCIDENTS

### Tort Liability Law of PRC

The Tort Liability Law of PRC (中華人民共和國侵權責任法), which was promulgated by the SCNPC on December 26, 2009 and came into effect on July 1, 2010, provides that, if a medical institution, its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. Medical institution shall liable and pay for the damage caused by the failure of the medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment. On May 28, 2020, the Civil Code of the PRC (中華人民共和國民法典) was adopted by the third session of the 13th National People's Congress, which became effective on January 1, 2021 and simultaneously replace the Tort Liability Law of the PRC. The Civil Code of the PRC provides that if a medical institution or its medical personnel is at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution shall assume the compensatory liability, which further clarifies that either the medical institution or its medical personnel is at fault, the medical institution should bear the relevant responsibilities.

### The Regulations on the Handling of Medical Incidents

The Regulations on the Handling of Medical Incidents (醫療事故處理條例), which was issued by the State Council on April 4, 2002 and came into effect on September 1, 2002, provides a legal framework and specific regulations regarding the prevention, authentication, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

## REGULATIONS ON MEDICAL ADVERTISEMENT

### Advertising Law of the PRC

Pursuant to the Advertising Law of the PRC (中華人民共和國廣告法) (the "Advertising Law") promulgated by the SCNPC on October 27, 1994, amended on April 24, 2015, October 26, 2018 and April 29, 2021, advertisements shall not contain any false or misleading content or defraud or mislead consumers. Advertisements on medical service, drug and medical instrument are subject to censorship in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. No such advertisement shall be published without being reviewed.

### Administrative Measures on Medical Advertisement

Pursuant to the Administrative Measures on Medical Advertisement (醫療廣告管理辦法), which was jointly promulgated by the MOH and the State Administration of Industry and Commerce on September 27, 1993 and amended on September 28, 2005 and November 10, 2006 and came into effect on January 1, 2007, any medical institution that intends to publish any medical advertisement shall apply for medical advertisement examination and obtain the Examination Certificate for Medical Advertisements (醫療廣告審查證明).The Examination Certificate for Medical Advertisements shall be valid for one year.

### Measures for the Administration of Internet Advertisement

Pursuant to the Measures for the Administration of Internet Advertisement (互聯網廣告管理辦法) promulgated by the SAMR on February 25, 2023 and became effective on May 1, 2023, before publishing an advertisement for any medical treatment, medicines, medical instrument, pesticides, veterinary medicines, health food, or food for special medical purposes, or any other advertisement that is subject to examination according to any laws or administrative regulations, the content shall be reviewed by the advertising examination authority, and an advertisement that has not undergone examination shall not be published.

### Interim Administrative Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Food for Special Medical Purposes

Pursuant to the Interim Administrative Measures for the Administration of Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Formula Food for Special Medical Purposes (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 SAMR on

December 24, 2019 and came into effect 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 the minimum validity period of the product's registration certificate, filing certificate or production license. 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 ON MOBILE INTERNET APPLICATION INFORMATION SERVICES

Mobile internet applications are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (移動互聯網應用程序信息服務管理規定) (the "Mobile Application Administrative Provisions"), which was promulgated by the Cyberspace Administration of China (the "CAC") on June 28, 2016 and revised on June 14, 2022 and took effect on August 1, 2022. Pursuant to the Mobile Application Administrative Provisions, to provide information services through mobile internet apps, application providers shall, in accordance with laws, regulations and the relevant provisions of the PRC, formulate and disclose management rules, and sign service agreements with registered users to specify the relevant rights and obligations of both parties, and shall process personal information by following the principles of legitimacy, rightfulness, necessity and good faith, have clear and reasonable purposes, disclose processing rules, comply with the relevant provisions on the scope of necessary personal information, regulate personal information processing activities, and take necessary measures to ensure the security of personal information. Application providers shall not, for any reason, force users to consent to personal information processing, or refuse users to use their basic functions and services on the ground that users do not agree to provide unnecessary personal information.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Smart Mobile Terminals (移動智能終端應用軟件預置和分發管理暫行規定) (the "Mobile Application Interim Measures"), which came into force on July 1, 2017. The Mobile Application Interim Measures require that the internet information service providers must ensure that the content of the application are legal, users' rights are protected, and relevant information of the application are expressed clearly, and the mobile application, as well as its ancillary resource files, configuration files and user data, among others, can be uninstalled by the users on a convenient basis, unless it is a basic function software, which refers to a software that ensures the normal operation of hardware and operating system of a mobile smart device.

## REGULATIONS ON INFORMATION SECURITY

### Cybersecurity Law

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (中華人民共和國網絡安全法) (the "Cybersecurity Law"), which became effective on June 1, 2017. The Cybersecurity 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 Cybersecurity Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national standards to safeguard the safe and stable operation of the networks, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

### The Cybersecurity Review Measures (2021)

On December 28, 2021, the CAC and other related authorities promulgated the Cybersecurity Review Measures (2021) (網絡安全審查辦法（2021）), which became effective on February 15, 2022. The Cybersecurity Review Measures (2021) proposes the following key matters: (1) the network platform operators who are engaged in data processing are subject to the regulatory scope; (2) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review working mechanism; (3) the network platform operators holding personal information of more than one million users and seeking a listing in foreign countries shall file for cybersecurity review with the Cybersecurity Review Office; and (4) the purchase of network products and services by critical information infrastructure operator, which affects or may affect national security, shall be subject to cybersecurity review in accordance with the present Measures.

**Regulations on the Administration of Cyber Data Security (Draft for Comments)**

On November 14, 2021, the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例（徵求意見稿）) was proposed by the CAC for public comments until December 13, 2021. The draft measures reiterate that data processors which process the personal information of more than one million people must apply for a cybersecurity review if they plan to be listed in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (1) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (2) the data processor intends to be listed in Hong Kong, which affects or may affect the national security; and (3) other data processing activities that affect or may affect national security.

**Measures for Data Cross-border Transfer Security Assessment**

On July 7, 2022, the CAC promulgated the Measures for Data Cross-border Transfer Security Assessment (數據出境安全評估辦法), which became effective on September 1, 2022. According to the Measures for Data Cross-border Transfer Security Assessment, where a data processor transfers data abroad, the data processor shall apply to the CAC for a data cross-border transfer security assessment through the local CAC at the provincial level for a data cross-border transfer security assessment when: (1) a data processor transfers important data abroad; (2) a critical information infrastructure operator or a data processor processing the personal information of more than one million persons transfers personal information abroad; (3) a data processor has provided a total of 100,000 persons' personal information or 10,000 persons' sensitive personal information to overseas since January 1 of the previous year, and (4) other circumstances in which the data processor shall apply for a data cross-border transfer security assessment as stipulated by the CAC.

**REGULATIONS ON PERSONAL INFORMATION OR DATA PROTECTION**

**The Data Security Law of the PRC**

The Data Security Law of the PRC (中華人民共和國數據安全法), promulgated by the SCNPC on June 10 2021, effective from September 1, 2021, stipulates that relevant entities carrying out data processing activities should comply with laws and regulations to establish and improve the whole process data security management system in the process of data processing, strengthen risk monitoring, conduct regular risk assessments and report to the competent authorities. In December 2011, 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 information which is relevant to users and can serve to identify users solely or in combination with other 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 providers are required to, among others, (1) clearly 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 (2) properly store the users' personal information, and in case of any leak or possible leak of a user's personal information, internet information service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications administrative authority which approved the internet information service licensing or filing.

In addition, the Cybersecurity Law provides that: (1) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of collecting and using personal information, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (2) 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; (3) 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 Cybersecurity Law, network operators of critical information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

**Measures for Data Security Management in the Industrial and Information Technology Sector (Trial)**

On December 8, 2022, the MIIT promulgated the Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) (工業和信息化領域數據安全管理辦法（試行）), which came into effect on January 1, 2023. The Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) makes detailed provisions on classified and tiered data management, data life cycle security management, data security monitoring and early warning and contingency management. It clearly stipulates that the data in the industrial and information fields can be divided into three levels: general data, key data and core data, and stipulates that the data processors in the industrial and information fields have the obligation to file with the relevant authorities their catalogs of important data and core data recognized in according to the identification criteria for important data and core data in industrial and information technology sector.

**Notice on Further Improving the Service Capabilities of Mobile Internet Applications**

On February 6, 2023, the MIIT promulgated the Notice on Further Improving the Service Capabilities of Mobile Internet Applications (工業和信息化部關於進一步提升移動互聯網應用服務能力的通知), which came into effect on February 6, 2023. The Notice on Further Improving the Service Capabilities of Mobile Internet Applications stipulates that users shall be informed of personal information processing rules in a concise, clear and easy-to-understand way, and in case of changes, users shall be informed of the latest development in time. The data processors shall highlight the purpose, method and scope of sensitive personal information processing activities, and establish a list of personal information that has been collected, and do not induce users to agree to personal information processing rules with default check, small prints or lengthy texts.

**Administrative Measures for the Cybersecurity of Medical and Healthcare Institution**

On August 8, 2022, National Health Commission, National Administration of Traditional Chinese Medicine, and National Bureau of Disease Control and Prevention jointly promulgated the Administrative Measures for the Cybersecurity of Medical and Healthcare Institution (醫療衛生機構網絡安全管理辦法) with immediate effect. Administrative Measures for the Cybersecurity of Medical and Healthcare Institutions require full life-cycle management of cyber security and data security, including but not limited to strengthening system construction, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

**Personal Information Protection Law of the PRC**

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法) (the "Personal Information Protection Law"), which came into effect on November 1, 2021. The law aims to protect the rights and interests of personal information and regulate the processing of personal information. The Personal Information Protection Law stipulates certain important concepts with respect to personal information processing: (1) "personal information" refers to all kinds of information related to identified or identifiable natural persons recorded by electronic or other means, excluding the information processed anonymously; (2) "processing of personal information" includes the collection, storage, use, processing, transmission, provision, disclosure and deletion, etc. of personal information; and (3) "personal information processor" refers to an organization or individual that independently determines the purpose and method of the processing in the processing of personal information.

The Personal Information Protection Law also stipulates the obligations in the circumstance of entrusted processing. Where a personal information processor entrusts others with the processing of personal information, a) the personal information processor shall agree with the entrusted party on substantial matters like purpose, method of entrusted processing, type of information and protection measures, as well as supervise the processing activities of the entrusted party; b) the entrusted party shall process personal information strictly within the scope as agreed, and ensure the security of the personal information processed and assist the personal information processor to perform his legal obligations.

**Decision on Strengthening the Protection of Online Information**

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 Provisions on Protection the Personal Information of Telecommunication and Internet Users (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 by the applicable law, rightfulness and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws. In addition, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (常見類型移動互聯網應用程序必要個人信息範圍規定) in March 2021, effective from May 1, 2021, specifying that the operator of an internet application shall not refuse an user to use the App's basic functional services on the ground that the user disagree with the collection of unnecessary personal information.

**Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps, the Measures to Identify Illegal Collection and Usage of Personal Information by Apps, Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests**

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (關於開展App違法違規收集使用個人信息專項治理的公告), which underlines that App operators shall, by following the principles of lawfulness, legitimacy and necessity, not collect personal information that is not related to the services provided; when collecting personal information, they shall display the rules for the collection and use of personal information in an easy-to-understand, simple and clear manner, and personal information subjects shall independently choose and give consent; they shall not force the users to make authorization in the forms of default, bundling, stopping installation and use, etc., and may not collect personal information in violation of laws and regulations or against the agreements with users.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (App違法違規收集使用個人信息行為認定方法), which lists six types of activities as illegal collection and usage of personal information, including "not publishing rules on the collection and usage of personal information" and "not providing privacy rules."

The MIIT issued the Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests (關於開展縱深推進App侵害用戶權益專項整治行動的通知) on July 22, 2020, which requires that certain conducts of app service providers should be rectified, including, among others, (1) collecting or using personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive personalized advertisements; (2) requesting user's permission in a compulsory and frequent manner, or frequently launching third- parties apps; and (3) deceiving and misleading users into downloading apps or providing personal information. It also sets forth that the period for the regulatory specific rectification on apps and that the MIIT will order the non-compliant entities to complete the rectification within five business days, or otherwise the MIIT will make public announcement, remove the apps from the app stores or impose other administrative penalties.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (中華人民共和國刑法修正案(九)), issued by the SCNPC in August 2015, which became effective in November 2015, persons who sell or provide personal information of citizens to others in violation of relevant national provisions, and the circumstances are serious, shall be subject to criminal penalty. In addition, on May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (最高人民法院、最高人民檢察院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), which became effective on June 1, 2017 and defines the scope of personal information under the Criminal Law of the PRC and clarifies other issues relevant to the criminal offense of infringement of personal information.

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 population health information to the basic population information, medical and health service information and other population health information generated in the process of service and administration by medical, health and family planning service agencies at all levels and according to national laws and regulations and their job responsibilities, and emphasizes that such information cannot be stored in offshore servers, and the responsible organizations 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.

On February 22, 2023, the CAC promulgated Measures for the Standard Contract for Outbound Transfer of Personal Information, which came into effect on June 1, 2023. Pursuant to Measures for the Standard Contract for Outbound Transfer of Personal Information, personal information processor transferring personal information abroad shall conclude Standard Contract if satisfy all the following conditions: (1) the data processor who intends to transfer personal information abroad is not a critical information infrastructure operator; (2) the data processor processes personal information of less than one million individuals; (3) the data processor has cumulatively transferred abroad the personal information of less than 100,000 individuals since January 1 of the previous year; and (4) the data processor has cumulatively transferred abroad the sensitive personal information of less than 10,000 individuals since January 1 of the previous year.

On August 3, 2023, the CAC published the Administrative Measures for the Compliance Audit of Personal Information Protection (Draft for Comments) (個人信息保護合規審計管理辦法(徵求意見稿)), which was open for public consultations until September 2, 2023. According to the Administrative Measures for the Compliance Audit of Personal Information Protection (Draft for Comments), the term "compliance audit of personal information protection" refers to the supervision activities that review and evaluate whether the personal information processing activities by personal information processors comply with laws and administrative regulations. And personal information processors that process the personal information of more than 1 million individuals shall carry out the compliance audit of personal information protection at least once a year, other personal information processors shall conduct the compliance audit of personal information protection at least once every two years.

On July 21, 2023, the Ministry of Industry and Information Technology issued the Notice on Carrying out the Filing of Mobile Internet Applications (關於開展移動互聯網應用程序備案工作的通知), requiring APP operator engaged in Internet information services within the territory of the People' Republic of China to complete filing formalities in accordance with the Anti-Telecommunications Network Fraud Law of the People' Republic of China (中華人民共和國反電信網絡詐騙法) and the Measures for the Administration of Internet Information Services (互聯網信息服務管理辦法). App operator shall complete filing formalities with the provincial-level communications administration bureau where they are domiciled, and their network access service providers and app distribution platforms (including the distribution platforms of mini programs, quick applications and others) shall submit such applications online for inspection and review through the "national Internet Basic Resources Management System".

## REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

### Trademark Law of the PRC and its Implementing Rules

Trademarks are protected by the Trademark Law of the PRC (中華人民共和國商標法) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013, April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

### Patent Law of the PRC and its Implementing Rules

According to the Patent Law of the PRC (中華人民共和國專利法), promulgated by the SCNPC on March 12, 1984 and further amended on September 4, 1992, August 25, 2000, December 27, 2008, October 17, 2020 and came into effect on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated by the China Patent Bureau Council on January 19, 1985, and further amended of December 21, 1992, June 15, 2001, December 28, 2002, January 9, 2010 and came into effect on February 1, 2010, the term "invention-creations" refers to inventions, utility models and designs. The duration of a patent right for inventions shall be 20 years and the duration of a patent right for utility models shall be 10 years and the duration of a patent right for designs shall be 15 years, both commencing from the filing date. In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee.

### Administrative Measures for Internet Domain Names

The Administrative Measures for Internet Domain Names (互聯網域名管理辦法), which was promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, regulates the ".CN" and the ".zhongguo (in Chinese character)" shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any violation.

### Copyright Law of the PRC and Measures for the Registration of Computer Software Copyright

The Copyright Law of the PRC (中華人民共和國著作權法), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001, February 26, 2010 and November 11, 2020, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction. The Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

## REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS

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

Pursuant to the Environmental Protection Law of PRC (中華人民共和國環境保護法) promulgated by the SCNPC on December 26, 1989 and became effective on the same day, amended on April 24, 2014 and became effective on January 1, 2015, 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.

Pursuant to the Environmental Impact Assessment Law of PRC (中華人民共和國環境影響評價法) promulgated by the SCNPC on October 28, 2002, became effective on September 1, 2003 and amended on July 2, 2016 and 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.

**Regulations on the Administration of Medical Waste and the Measures of the Administration of Medical Waste of Medical Institution**

According to the Regulations on the Administration 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 Measures of the Administration of Medical Waste of Medical Institution (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.

**The Law of PRC on Prevention and Control of Radioactive Pollution and Safety Management of Radioactive Waste**

The Law of PRC on Prevention and Control of Radioactive Pollution (放射性污染防治法) promulgated by the SCNPC on June 28, 2003, stipulates that, an entity generating radioactive waste liquid must, in accordance with the requirements of the national standards on the prevention and control of radioactive pollution, dispose or store the radioactive waste liquid which shall not be discharged to the environment. An entity generating radioactive solid wastes shall, in accordance with the provisions of the competent administrative department of environmental protection under the State Council, deliver the radioactive solid wastes it generates to the entity disposing the radioactive solid wastes for disposition after having them treated, and shall assume the disposition expense.

In accordance with the Regulations on the Safety Management of Radioactive Waste (放射性廢物安全管理條例) which came into effect on March 1, 2012, China adopts the classified management of radioactive waste. According to the characteristics and the potential hazardous exposure of the human health and environment, radioactive wastes are divided into high-level radioactive waste, medium-level radioactive waste and low-level radioactive waste. Entities of utilization of nuclear technology shall conduct relevant treatment procedures of the liquid radioactive waste (which was generated but couldn't be discharged after purification), and then transformed to solid radioactive waste. Entities of utilization of nuclear technology shall deliver disused radioactive sources and other solid radioactive wastes generated by them to any qualified entity for centralized storage, or to a solid radioactive waste disposing entity possessing the applicable licenses for disposal.

**The Administrative Measures on Licensing of Urban Drainage**

The Administrative Measures on Licensing of Urban Drainage (城鎮污水排入排水管網許可管理辦法), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015, amended on December 1, 2022 and came effective on February 1, 2023, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a License for Urban Drainage (排水許可證).

**REGULATIONS ON FOREIGN INVESTMENT IN CHINA**

**Company Law of PRC**

The Company Law of PRC (中華人民共和國公司法), which was promulgated by the SCNPC on December 29, 1993 and came into effect on July 1, 1994, amended on December 25, 1999 and came into effect on the same day, amended on August 28, 2004 and came into effect on the same day, amended on October 27, 2005 and came into effect on January 1, 2006, amended on December 28, 2013 and came into effect on March 1, 2014, amended on October 26, 2018 and came into effect on the same day, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

**Foreign Investment Law of PRC**

On March 15, 2019, the 2nd meeting of the 13th SCNPC approved the Foreign Investment Law of PRC (中華人民共和國外商投資法) (the "FIL"), which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the "Foreign Investors"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL replaced the Law of PRC on Sino-Foreign Equity Joint Ventures(中華人民共和國中外合資經營企業法), the law on Sino-Foreign Contractual Joint Ventures (中外合作經營企業法) and the Wholly Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法), became the legal foundation for foreign Investment in the PRC.

**The Implementing Rules of Foreign Investment Law**

Along with the FIL, the Implementing Rules of Foreign Investment Law (中華人民共和國外商投資法實施條例) promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law (最高人民法院關於適用<中華人民共和國外商投資法>若干問題的解釋) promulgated by the Supreme People's Court became effective on January 1, 2020. The Implementing Rules of Foreign Investment Law 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.

**The Provisions on Guiding Foreign Investment Direction**

The Provisions on Guiding Foreign Investment Direction(指導外商投資方向規定), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, classify all foreign investment projects into four categories: (1) encouraged projects, (2) permitted projects, (3) restricted projects, and (4) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment in certain cases may enjoy preferential policies or benefits. If the industry invested falls into the restricted category, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions.

**Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Version) and Encouraged Foreign Investment Catalog (2022 Version)**

The Restricted Foreign Investment Industry List and the Prohibited Foreign Investment Industry List under the Foreign Investment Catalog was replaced by the Special Administrative Measures for Access of Foreign Investment (Negative List) (外商投資准入特別管理措施(負面清單)) (the "Negative List") which was jointly promulgated by the MOFCOM and NDRC on June 28, 2018 amended on June 30, 2019, June 23, 2020 and December 27, 2021, and the latest version took effect on January 1, 2022. The Encouraged Foreign Investment Industry List under the Foreign Investment Catalog was replaced by the Encouraged Foreign Investment Catalog (鼓勵外商投資產業目錄) which was promulgated by the NDRC on June 30, 2019, amended on December 27, 2020 and October 26, 2022, and the latest version became effect on January 1, 2023. According to the Negative List, foreign equity share in a value-added telecommunication business shall not exceed 50% (excluding e-commerce, domestic multiparty communication, store-and-forward, and call center). Medical institutions are limited to joint venture.

**Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises, and Measures on Reporting of Foreign Investment Information**

Pursuant to the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated by MOFCOM on

October 8, 2016 and came into effect on the same day, amended on July 30, 2017 and came into effect on the same day, amended on June 29, 2018 and came into effect on June 30, 2018, record-filing will be administered on the incorporation and changes in foreign-invested enterprises if implementation of special management measures for access according to State regulations are not applicable. On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information(外商投資信息報告辦法), which took effect on January 1, 2020 and replaced the Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises. Foreign investors carrying out investment activities in the PRC directly or indirectly shall submit investment information to the commerce administrative authorities pursuant to the Measures on Reporting of Foreign Investment Information.

**Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions and its Supplementary Provisions**

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.

**Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors**

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), which was jointly promulgated by the MOFCOM and five other departments and commissions on August 8, 2006, came into effect on September 8, 2006 and subsequently amended by the MOFCOM on June 22, 2009 (the "M&A Regulations"), requires that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

**REGULATIONS ON SECURITIES**

**Securities Law of PRC**

The Securities Law of the PRC, which was promulgated by the SCNPC on December 29, 1998 and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

**REGULATIONS ON OVERSEAS LISTING**

**The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises**

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (境內企業境外發行證券和上市管理試行辦法) (the "Trial Measures") and five relevant guidelines which were promulgated by the CSRC on February 17, 2023 pursuant to Securities Law of the PRC, and were applicable to the direct and indirect overseas share subscription and listing of domestic companies. According to the Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within three working days after submitting the application documents for overseas issuance and listing.

### The Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises

According to the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (關於境內企業境外發行上市備案管理安排的通知) promulgated by the CSRC on February 17, 2023, a domestic company that has already obtained the approval document from the CSRC for overseas public offering and listing may proceed with the overseas listing within the validity period of the approval document. Where the overseas listing has not been completed upon the expiration of the approval document, filing procedures specified in the Trial Measures shall be made as required. In addition, pursuant to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (關於股份公司境外發行股票和上市申報文件及審核程序的監管指引) promulgated by the CSRC and effective from January 1, 2013, the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

## REGULATIONS ON H SHARE FULL CIRCULATION

### The Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China and the Trial Measures

On November 14, 2019, the CSRC promulgated the Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China (H股公司境內未上市股份申請"全流通"業務指引) ([2019] No.22), which came into effect on the same day. This provision is to regulate the listing and circulation ("Full Circulation") of unlisted domestic shares of domestic joint-stock limited companies ("H-share Companies") listed on the stock exchange of Hong Kong (including unlisted domestic capital stock held by domestic shareholders before overseas listing, unlisted domestic capital stock issued in China after overseas listing and unlisted shares held by foreign shareholders) to the Hong Kong Stock Exchange. Of which the H-share Companies applied for "Full Circulation" shall put forward the application to CSRC in accordance to the administrative licensing procedure of Examination and Approval of Overseas Public Offering and Listing (Including Additional Issuance) of Joint-Stock Limited Companies. H-share companies may put forward the application of "Full Circulation" separately or simultaneously when applying for overseas refinancing. Unlisted domestic joint-stock limited companies may put forward the application of "Full Circulation" simultaneously when applying for overseas initial public offering and listing.

On February 17, 2023, the CSRC promulgated the Trial Measures, which came into effect on March 31, 2023. According to the Trial Measures, for a domestic company seeking direct overseas listing, the shareholders holding the domestic unlisted shares of such domestic company who apply for the conversion of the domestic unlisted shares into overseas listed shares shall comply with the relevant provisions of the CSRC and entrust such domestic company to file with the CSRC.

## REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

### Labor Law of PRC

The Labor Law of PRC (中華人民共和國勞動法), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labor safety and health facilities must comply with relevant national standards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

### Labor Contract Law of PRC and its Implementation Regulations

The Labor Contract Law of PRC (中華人民共和國勞動合同法), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (中華人民共和國勞動合同法實施條例) which was promulgated and came into effect on September 18, 2008 by the State Council, regulate the relations of employer and the employee, and contain specific provisions involving the terms of the labor contract.

## REGULATIONS ON SUPERVISION OVER THE SOCIAL SECURITY AND HOUSINGFUNDS

The Law on Social Insurance (中華人民共和國社會保險法), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018 regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance. According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (社會保險費徵繳暫行條例), the Regulations on Work Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例) and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which was promulgated on April 3, 1999 and came into effect on the same date, and was amended on March 24, 2002 and March 24, 2019, stipulates that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee.

## REGULATIONS ON TAXATION

### Enterprise Income Tax

According to the EIT Law, which was promulgated by the National People's Congress on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the EIT Law (中華人民共和國企業所得稅法實施條例), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established 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 refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from 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 established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, enterprise income tax is set at the rate of 10%.

The Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the "SAT Circular 7") was issued by the SAT on February 3, 2015 and last amended on December 29, 2017, provides comprehensive guidelines heightening the PRC tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets, including assets of organizations and premises in PRC, immovable property in the PRC, equity investments in PRC resident enterprises. On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告), which took effect on December 1, 2017 and amended on June 15, 2018, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income.

Under the SAT Circular 7 and the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法), which was promulgated by the SCNPC on September 4, 1992 and amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation.

### Value-added Tax

The Provisional Regulations on Value-added Tax (增值稅暫行條例), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (增值稅暫行條例實施細則), which was promulgated by the MOF on December 25, 1993 and came into effect on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

According to the Notice of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (關於深化增值稅改革有關政策的公告) issued on March 20, 2019 and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

According to the Circular of the Ministry of Finance and the SAT on the Relevant Tax Policies in Respect of Medical and Hygiene Institutions (財政部、國家稅務總局關於醫療衛生機構有關稅收政策的通知), which was promulgated by the MOF and the SAT on July 10, 2000 and became effective on the same date and further revised by the MOF on May 18, 2009 and became effective on January 1, 2009, medical services income obtained by NMIs at the price set by the state shall be exempted from any taxes. In respect of those medical services income which is not obtained at the price set by the state, this exemption policy shall not apply. Taxes on the income obtained by the PMIs shall be imposed according to the relevant provisions.

**Withholding Tax and International Tax Treaties**

Pursuant to the EIT Law and its implementation rules, 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 is the beneficial owner of the dividends and directly holds at least 25% of the PRC enterprise.

Pursuant to the Notice of the SAT 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), 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) (the "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 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.

## REGULATIONS ON FOREIGN EXCHANGE

The Regulations on the Administration of Foreign Exchange (外匯管理條例), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, sets out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which was promulgated by the PBOC on June 20, 1996 and came into effect on July 1, 1996, provides that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

The Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (國家外匯管理局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) (the "Circular 37"), which was promulgated by the SAFE on July 4, 2014 and came into effect on the same date, states that (1) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes the assets of or its equity interest into a special purpose vehicle for the purpose of investment and financing and (2) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner.

The Notice of the SAFE on Further Improving and Adjusting Policies Relating to Foreign Exchange Administration in Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), which was promulgated by the SAFE on November 19, 2012, came into effect on December 17, 2012 and amended on May 4, 2015 and came into effect on the same day, amended on October 10, 2018 and came into effect on the same day, amended on December 30, 2019 and came into effect on the same day, expands on the reform of the foreign exchange administration system, simplifies the administrative approval procedures, and improves foreign exchange administration in direct investment by repealing or adjusting certain approval items for foreign exchange administration in direct investment.

According to the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局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") promulgated by SAFE on March 30, 2015, amended on December 30, 2019 and came into effect on the same day, amended on March 23, 2023 and came into effect on the same day, voluntary settlement of foreign exchange (the "voluntary settlement") is implemented for foreign exchange capital funds of foreign-invested enterprises. Voluntary settlement means that the foreign exchange capital funds which have been confirmed by SAFE as cash contribution for equity interest (or have been registered as capital contribution in cash via a bank) in the capital account of the foreign-invested enterprise may carry out settlement at the bank as and when required according to actual operation needs of the enterprise. The ratio of the voluntary settlement capital funds of a foreign-invested enterprise is set at 100% for the time being. The Renminbi funds arising from the settlement of foreign exchange shall be placed in a special account for administration. If the foreign-invested enterprise has further payment needs, it is still required to truthfully produce relevant authentic certification materials to the bank for review according to regulations. The Renminbi funds obtained from the capital funds and foreign exchange settlement of the foreign-invested enterprise are prohibited from the following uses: (1) shall not be used directly or indirectly for expenses incurred outside the scope of operation or prohibited by laws and regulations of the PRC; (2) unless otherwise required by laws and regulations, shall not be used directly or indirectly in securities investment; (3) shall not be used directly or indirectly for lending as entrusted loans denominated in Renminbi (except permitted by the scope of operation), for repayment of inter-company borrowings (including third-party advances) and for repayment of Renminbi-denominated bank loans which have been re-lent to third parties; and (4) except for foreign-invested real estate enterprises, such Renminbi funds shall not be used to pay for the relevant expenses for the purchase of real estate properties which are not for its own use.

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 "SAFE Circular 16"), was promulgated by SAFE on June 9, 2016. Pursuant to SAFE Circular 16, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may go through foreign exchange settlement formalities for their foreign debts at their discretion. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a enterprises may not be directly or indirectly used for purposes beyond the enterprise's business scope or prohibited by PRC Laws and Regulations, while such converted Renminbi shall not be used for the granting of loans to non-affiliated enterprises.

According to the Circular of the State Administration for Foreign Exchange 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) 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.

## OVERVIEW

We are an oncology healthcare service provider in China serving both cancer patients and third-party medical institutions. Our history can be traced back to 2008 when our Company was established in China by Concord Medical to provide radiation therapy and diagnostic equipment management services to hospitals in China. During the period from 2008 to 2018, we gradually developed our medical equipment, software and related services, and leveraging our valuable industry expertise and resources accumulated through the provision of management and technical support services, we started our hospital business through acquisition, establishment and operation of our self-owned medical institutions, which generates synergistic value for our development in serving key stakeholders in the oncology healthcare industry. In particular, we established our first medical institution, Datong Hospital in 2014 and subsequently established and acquired certain other medical institutions in 2018. In early 2019, we introduced our CSS services as a pilot program to holistically and gradually encompass all the aspects of our medical equipment, software and related services on cloud platforms. Currently, we provide a full spectrum of oncology healthcare services to cancer patients across the entire care continuum, leveraging our MDT specialists and diagnosis and treatment capabilities featuring precision radiation therapy, and also serve a widespread network of enterprise customers, primarily hospitals, with integrated oncology-related services, including primarily sales and installing of medical equipment and software, management and technical support, and operating lease.

Upon **[REDACTED]**, Concord Medical and our Company will continue to have separate businesses and teams. Other than the business carried on by our Company, Concord Medical primarily engaged in finance lease, import and export services, and financial investment businesses. The separate **[REDACTED]** of our Group is beneficial to both the Group and Concord Medical in the following aspects: (1) the separate **[REDACTED]** could better reflect the value of our Group based on its own merits and further enhance its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of our Group separately; (2) the separate **[REDACTED]** would enable our Group to promote our brand and business to the investors independently, and enable us to directly and independently access capital markets in the future on a stand-alone basis; and (3) the separate **[REDACTED]** will enable a more focused development, strategic planning and better allocation of resources for the retained business of CCM Group and our business. However, the differences in the characteristics of the **[REDACTED]** in Hong Kong and the United States and the **[REDACTED]** in **[REDACTED]** and Concord Medical's American depositary shares may have a disparate effect on our and Concord Medical's **[REDACTED]**. See also "Risk Factors—Risks Relating to the **[REDACTED]**."

## OUR MILESTONES

The following table sets forth major events and milestones in the development of our business:

| Year | Event |
|---|---|
| 2008 | Our Company was established under the laws of the PRC and commenced operation of medical equipment, software and related services. |
| 2011 | Our medical equipment, software and related services accumulated nine customers covering seven provinces in China as of December 31, 2011. |
| 2014 | Datong Hospital was established by our Group. |
| | Datong Hospital, the first independent Class II cancer specialty hospital under our control, received the Medical Institution Practicing License. |
| 2016 | We became listed on the NEEQ. |
| 2017 | Our Datong Hospital commenced operation. |
| | We commenced the construction of our Shanghai Hospital, which was expected to commence operation in January 2026. |

| Year | Event |
| --- | --- |
| 2018 | We acquired Guangzhou Hospital and Shanghai Outpatient Center. |
| | Shanghai Imaging Center was established by our Group together with other promoters. |
| 2020 | Our Shanghai Imaging Center, an independent imaging diagnostic center, commenced full operation. |
| | We acquired Guangzhou Outpatient Center. |
| | Our internally-formulated Practice Guideline for Total Body Irradiation Technology (全身照射技術實踐指南) was approved by the National Cancer Center of China (國家癌症中心) as the 2019 Radiation Therapy Quality Control Guidelines (2019年國家腫瘤質控中心放療質控指南), which was the first approved project hosted by a private medical institution in China. |
| | We launched Jiahe Yunying Remote Imaging Information Diagnosis Platform (嘉和雲影遠程醫療信息診斷平台) for our medical equipment, software and related services. |
| 2021 | We launched Jiahe Cloud Asset Management Platform (嘉和雲資產管理平台) for our medical equipment, software and related services. |
| | We launched Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform (嘉和飛雲智能放療雲服務平台) for our medical equipment, software and related services. |
| | We launched our Internet Hospital as a one-stop portal to connect cancer patients with comprehensive oncology healthcare resources. |
| | Our Guangzhou Hospital, a comprehensive cancer hospital commenced operation. |
| | We acquired Beijing Healthingkon, an AI-orientated company which was certified by China Academy of China Medical Sciences (中國中醫科學院) for its top-notch AI-driven Traditional Chinese Medicine Tongue Diagnosis technology ensuing the application of AI engine. |
| 2022 | We were chosen by the National Cancer Center of China (國家癌症中心) to be an editor for the formulation of the 2021 version of the National Standard of Radiation Therapy Quality Control Guidelines (國家腫瘤質控中心放療質控指南), and have initiated two national standard formulation projects to develop Radiation Therapy Data Validation Quality Control Practice Guidelines (放射治療數據審核質量保證實踐指南) and Development Guidelines for the 5G-based Remote Radiation Therapy Plan Design, Implementation and Quality Control Platform (基於5G的遠程放療計劃設計、實施與質控平台建設指南). |
| 2023 | We were chosen by the National Cancer Center of China to be an editor for the formulation of the 2023 version of the National Standard of Radiation Therapy Quality Control Guidelines, and initiated a national standard formulation projects to develop Practice Guideline for Total Skin (E-beam) Irradiation Technology (全皮膚(電子束)照射技術實踐指南). |

## OUR MAJOR SUBSIDIARIES

The following subsidiaries of our Group had made material contribution to our results of operations during the Track Record Period and up to the Latest Practicable Date.

| Name | Place of establishment | Date of Establishment | Date of Acquisition by the Group | Interests held by our Group | Principal Business Activities |
| --- | --- | --- | --- | --- | --- |
| Shanghai Hospital . . . . . . . | PRC | March 17, 2014 | November 21, 2018 | 99.5%[(1)] | Medical treatment and service |
| Guangzhou Hospital . . . . . . . | PRC | June 29, 2011 | September 17, 2018 | 80.0%[(2)] | Medical treatment and service |

| Name | Place of establishment | Date of Establishment | Date of Acquisition by the Group | Interests held by our Group | Principal Business Activities |
|---|---|---|---|---|---|
| Shenzhen Aohua . . . | PRC | February 21, 2008 | September 19, 2016 | 100.0% | Leasing of medical equipment and provision of management services |
| Shanghai Outpatient Center . . . . . . . . . | PRC | November 2, 2006 | October 8, 2018 | 86.4414%(3) | Medical treatment and service |
| Beijing Healthingkon . . . | PRC | August 25, 2015 | August 26, 2021 | 26.34%(4) | Technology promotion and application service |

(1) The remaining 0.5% equity interests in Shanghai Hospital were owned by CCM (Hong Kong) Medical Investment Limited (泰和誠（香港）醫療投資有限公司), a wholly-owned subsidiary of Concord Medical.

(2) The remaining 20% equity interests in Guangzhou Hospital were owned by Guangdong Guanhua Medical Services Co., Ltd. (廣東冠華醫療服務有限公司), an Independent Third Party other than being a substantial shareholder of this entity.

(3) The remaining equity interests in Shanghai Outpatient Center were owned as to 9.9986% by Shanghai Epu Supply Chain Technology Co., Ltd. (上海峨浦供應鏈科技有限公司), an Independent Third Party, and as to 3.5600% by Concord Hospital Management Group Limited (泰和誠醫院管理集團有限公司), a wholly-owned subsidiary of Concord Medical.

(4) See "—Acquisitions, Investments and Disposals—Acquisition of Beijing Healthingkon" for the voting proxy arrangement.

## CORPORATE DEVELOPMENT OF OUR COMPANY

### 1. Establishment of Our Company and Initial Shareholding Changes

On July 23, 2008, our Company was established in the PRC as a limited liability company, with an initial registered capital of US$5.0 million. At the time of its establishment, our Company was wholly owned by Cyber Medical Network Limited (數碼醫療連鎖發展有限公司), a company incorporated in Hong Kong, which was then wholly owned by Concord Medical. Concord Medical was incorporated in the Cayman Islands in November 2007, and became listed on the New York Stock Exchange under the symbol "CCM" since December 2009.

As part of its internal restructuring, on June 30, 2015, Cyber Medical Network Limited transferred its 70% and 30% equity interests in our Company to Shanghai Medstar and Tianjin Concord, respectively, at a consideration of approximately RMB25.09 million and RMB10.75 million. The consideration was determined based on then paid-in registered capital of our Company. Upon completion of such share transfer, our Company was owned as to 70% by Shanghai Medstar, which was then wholly owned by Concord Medical, and as to 30% by Tianjin Concord, a wholly-owned subsidiary of Shanghai Medstar.

### 2. Conversion of Our Company into a Joint Stock Company

On August 27, 2015, our Company was converted into a joint stock limited liability company and was renamed as Beijing Meizhong Jiahe Medical Hospital Management Co., Ltd. (北京美中嘉和醫院管理股份有限公司), with a registered capital of RMB35.0 million. According to the audit report prepared by an independent third party auditor, the appraised net asset value of our Company as of June 30, 2015 was approximately RMB54.4 million, of which (1) RMB35.0 million was credited to the registered capital and divided into 35,000,000 Shares with a nominal value of RMB1.00 each; and (2) the remaining amount of approximately RMB19.4 million was credited to the capital reserve of our Company.

The shareholding structure of our Company immediately upon completion of such conversion and prior to the listing of our Company on the NEEQ was as set forth below:

| Name of Shareholder | Registered capital subscribed to (RMB) | Percentage of Shareholding |
|---|---|---|
| Shanghai Medstar[(1)] | 24,500,000 | 70.0% |
| Tianjin Concord[(2)] | 10,500,000 | 30.0% |
| **Total** | **35,000,000** | **100.0%** |

(1) Shanghai Medstar is principally engaged in the provision of equipment finance lease services and import and export services, and is one of our Controlling Shareholders.

(2) Tianjin Concord is wholly owned by Shanghai Medstar. Tianjin Concord is an investment holding company and one of our Controlling Shareholders.

### 3. Listing and Delisting of Our Company on the NEEQ

#### *(a) Listing of Our Company on the NEEQ*

On January 25, 2016, shares of our Company were listed on the NEEQ under the stock code of 835660.

By a shareholders' resolution passed on January 26, 2016, the registered capital of our Company increased from RMB35,000,000 to RMB52,500,000, out of which 17,500,000 shares were allotted and issued to all the then existing shareholders of our Company on the basis of five shares to be issued for every ten shares held according to their then shareholding, using part of the capital reserve of our Company. During the listing of our Company on the NEEQ, we also completed certain private placements in 2016 and 2017; and as a result of such private placements, our registered capital further increased to RMB60,092,666.

#### *(b) Compliance during Listing on the NEEQ*

As advised by our PRC Legal Advisor, based on the searches conducted on the official websites of the NEEQ and the CSRC and the listing material and confirmation provided by our Company as well as the confirmation by our legal counsel during the listing period on the NEEQ of our Company, during the period in which our Company was listed on the NEEQ, our Company had been in compliance in all material respects with all applicable PRC securities laws and regulations, including but not limited to the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) (全國中小企業股份轉讓系統業務規則（試行）), and our Company had not been subject to any disciplinary action by any relevant law enforcement authority or regulator.

Our Directors have confirmed that, during the period in which our Company was listed on the NEEQ, our Company had been in compliance in all material respects with all applicable PRC securities laws and regulations, including but not limited to the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) (全國中小企業股份轉讓系統業務規則（試行）), and our Company had not been subject to any disciplinary action by any relevant law enforcement authority or regulator.

Considering the foregoing and based on the independent due diligence work performed by the Joint Sponsors, there are no material findings come to the attention of the Joint Sponsors which would reasonably cause them to cast doubt on the Directors' and PRC Legal Advisors' view above.

#### *(c) Delisting of Our Company from the NEEQ*

On December 15, 2017, the shareholders of our Company unanimously resolved the voluntary delisting of our Company from the NEEQ (the "NEEQ Delisting"). On February 9, 2018, our Company received regulatory approval from the NEEQ for the NEEQ Delisting. On February 22, 2018, the NEEQ Delisting was completed.

Immediately before completion of the NEEQ Delisting, our Company had a market capitalization of RMB1,322.0 million (equivalent to HK$1,448.9 million) based on the last transacted price of its Shares of RMB22.0 per Share, and the then outstanding number of its issued Shares was 60,092,666 Shares, as at the date immediately prior to its delisting from the NEEQ.

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]**), the expected **[REDACTED]** of our Company immediately upon the **[REDACTED]** is approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**) (assuming that the **[REDACTED]** is not **[REDACTED]**). The **[REDACTED]** under the **[REDACTED]** is primarily determined by the performance and growth of our Company during the Track Record Period, the business prospect of our Company and making reference to the current valuation of our peers listed on the Stock Exchange and other overseas stock exchanges. Our market capitalization increased since the date immediately prior to the NEEQ Delisting, primarily due to our business transformation and rapid development since then. In particular, we (1) expanded our hospital business into Shanghai and Guangzhou, and (2) significantly increased our medical equipment, software and related services and successfully launched our cloud platform services.

***(d) Reasons of the Delisting of Our Company from the NEEQ and the [REDACTED] on the Stock Exchange***

The NEEQ Delisting was a commercial and strategic decision made by our Company's then directors, based on our Company's business development plans and desire to attain greater access to international investors and markets by undertaking this proposed **[REDACTED]** and **[REDACTED]** on the Stock Exchange.

Our Directors believe that the NEEQ Delisting and the **[REDACTED]** on the Stock Exchange will be in the interests of our Group and the Shareholders as a whole since Hong Kong, being a gateway between the PRC and the international market, will allow our Group to have greater access to international investors and global markets. Our Directors believe that there is no other matter in relation to the prior listing and during the listing period on the NEEQ of our Company that should be brought to the attention of the relevant regulators and investors.

The shareholding structure of our Company immediately upon completion of the NEEQ Delisting was as follows:

| No. | Name of Shareholder | Number of Shares of our Company | Percentage of equity interest |
|---|---|---|---|
| 1. | Shanghai Medstar | 36,730,000 | 61.1223% |
| 2. | Tianjin Concord | 14,287,000 | 23.7749% |
| 3. | Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灝汭投資有限公司) ("Jinshi Haorui") (1) | 3,333,333 | 5.5470% |
| 4. | Hangzhou Lanhai Youfang Equity Investment Fund Partnership (Limited Partnership) (杭州藍海有方股權投資基金合夥企業（有限合夥）) ("Lanhai Youfang") (2) | 3,333,333 | 5.5470% |
| 5. | Orient Securities Co., Ltd. (東方證券股份有限公司) | 2,143,000 | 3.5662% |
| 6. | Guangzhou Jinkang Shenyou Investment Co., Ltd. (廣州金康胥友投資有限公司) ("Jinkang Shenyou") (3) | 266,000 | 0.4426% |
| | **Total** | **60,092,666** | **100.00%** |

(1) Jinshi Haorui is a limited liability company established in the PRC and wholly owned by Jinshi Investment Co., Ltd. (金石投資有限公司), which is in turn wholly owned by CITIC Securities Company Limited, which is a company listed on the Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030).

(2) Lanhai Youfang is a limited partnership established in the PRC, the general partner of which is WisdoMont Asset Management (Shanghai) Co., Ltd. (盛山資產管理（上海）有限公司). Changsheng Assets Co., Ltd. (長生資產有限責任公司) ("Changsheng Assets"), as a limited partner, owns approximately 88.44% interests in Lanhai Youfang. See "—**[REDACTED]** Investments—Information about Our **[REDACTED]** Investors" for more information about WisdoMont Asset Management (Shanghai) Co., Ltd. and Changsheng Assets.

(3) Jinkang Shenyou was then wholly owned by Shanghai Medstar, and is currently wholly owned by WU Guanghua (吳光華), an Independent Third Party, who became the shareholder of Jinkang Shenyou in December 2020.

Considering the foregoing and based on the independent due diligence work performed by the Joint Sponsors, there are no material findings that come to the attention of the Joint Sponsors indicating any matter which should be brought to the attention of the relevant regulators and the investors in relation to the Company's previous NEEQ listing.

### 4. Major Shareholder Changes of Our Company

On March 15, 2018, our Company passed a resolution at an extraordinary general meeting to issue 106,573,984 shares of our Company, at a consideration of RMB3.47 per share, among which, 66,073,984 shares were subscribed by Shanghai Medstar, and 40,500,000 shares were subscribed by Beijing Concord, a wholly-owned subsidiary of Concord Medical. The aggregated consideration of RMB369,811,724.48 were determined based on the net assets value as of December 31, 2017 of our Company, which were fully settled in cash on August 2, 2018, with RMB106,573,984 and RMB263,237,740.48 credited to the Company's registered capital and capital reserve, respectively.

From March 2018 to June 2023, our Company obtained several rounds of investments from the **[REDACTED]** Investors through increases in registered capital and share transfers. For details, see "—**[REDACTED]** Investments" in this section.

On May 28, 2018, Jinkang Shenyou, which was then wholly owned by Shanghai Medstar, entered into an equity transfer agreement with one of our then shareholders, namely Orient Securities Co., Ltd. (東方證券股份有限公司), pursuant to which Jinkang Shenyou agreed to increase its investment in our Company by purchase of 2,143,000 shares of our Company from Orient Securities Co., Ltd. at a consideration of RMB19.7 per Share, which was determined after arms' length negotiations between the parties with reference to the investment cost of Orient Securities Co., Ltd. Upon completion of such share transfer, Orient Securities Co., Ltd. ceased to be a Shareholder. Details are set forth below:

| Name of transferee | Name of transferor | Consideration | Shares transferred | Date on which consideration was fully settled |
|---|---|---|---|---|
| Jinkang Shenyou | Orient Securities Co., Ltd. | RMB42,314,500.52 | 2,143,000 | July 2, 2018 |

On February 17, 2020, Shanghai Guanyou Enterprise Management Center (Limited Partnership) (上海冠佑企業管理中心（有限合夥）) ("Shanghai Guanyou") entered into a series of equity transfer agreements, pursuant to which Shanghai Guanyou agreed to invest in our Company by purchase of 229,100 Shares, 6,298,850 Shares and 663,700 Shares, respectively, from Tianjin Concord, Beijing Concord and Jinkang Shenyou at a consideration of RMB15.0 per Share, which was determined with reference to the subscription cost of A Round **[REDACTED]** Investment. Details are set forth below:

| Name of transferee | Name of transferor | Consideration | Shares transferred | Date on which consideration was fully settled |
|---|---|---|---|---|
| Shanghai Guanyou(1) | Tianjin Concord | RMB3,436,500 | 229,100 | July 21, 2020 |
| | Beijing Concord | RMB94,482,750 | 6,298,850 | September 30, 2020 |
| | Jinkang Shenyou | RMB9,955,500 | 663,700 | July 21, 2020 |
| **Total** | | **RMB107,874,750** | **7,191,650** | |

(1) Shanghai Guanyou is a limited partnership established in the PRC in January 2020 and initially controlled by Dr. Yang as the general partner. Dr. Yang subsequently transferred all his interest in Shanghai Guanyou in July 2020 to certain individuals who are Independent Third Parties. The current general partner of Shanghai Guanyou is GUO jinchun (郭錦春), an Independent Third Party.

On April 7, 2022, Shanghai Medstar transferred 6,666,666 Shares of our Company to Shanghai Xinhe, the limited partner of which being Shanghai Medstar, at a consideration of RMB18.0 per Share, as the Controlling Shareholders adjusted their shareholding structure to hold our Shares. At the time of the aforementioned share transfer, the sole limited partner of Shanghai Xinhe was Shanghai Medstar. Subsequently, on March 9, 2023, Shanghai Medstar transferred 27.27% of the partnership interest in Shanghai Xinhe to Shanghai Linen International Trading Co., Ltd. (上海亞麻國際貿易有限公司) ("Shanghai Linen"), a limited liability company established in the PRC and ultimately controlled by TIAN Sirong (田四榮), a substantial shareholder of Concord Medical, at a consideration of RMB60,000,000, which was fully settled on March 10, 2023. Upon completion of such transfer, limited partners of Shanghai Xinhe are Shanghai Medstar and Shanghai Linen, which hold 72.73% and 27.27% of the partnership interest in Shanghai Xinhe, respectively. The general partner of Shanghai Xinhe is Shanghai Xinfu Enterprise Management Center (Limited Partnership), the general partner of which is Shanghai Huifu Technology Development Co., Ltd., which is owned as to approximately 99% by Dr. Yang. See notes under "—Our Corporate Structure" for details of Shanghai Xinhe.

## VOTING PROXY ARRANGEMENT

To consolidate its control in the Company, Shanghai Medstar has entered into different arrangements with other Shareholders of the Company. Pursuant to the powers of attorney entered into by Shanghai Guanyou on December 1, 2020, by Changsheng Assets on April 29, 2021 and by Shanghai Xinhe on April 7, 2022, each of Shanghai Guanyou, Changsheng Assets and Shanghai Xinhe had confirmed and agreed that they had and would continue to, for so long as they are interested in the Shares, defer their voting rights to Shanghai Medstar at the Shareholders' meetings of our Company, and that any exercise of the aforementioned voting rights and the signing of documents by Shanghai Medstar shall be deemed as the actions of such shareholders themselves. In addition, each of Lanhai Youfang and Ms. TIAN Yuan entered into a power of attorney on June 30, 2023, pursuant to which each of them had confirmed and agreed that, for a period of one year commencing from the date of execution of the power of attorney, they would defer their voting rights to Shanghai Medstar at the Shareholders' meetings of our Company, and that any exercise of the aforementioned voting rights and the signing of documents by Shanghai Medstar shall be deemed as the actions of such shareholders themselves. See "—Our Corporate Structure" and "Relationship with Our Controlling Shareholders."

Save as disclosed above, there is no other arrangement among Shanghai Guanyou, Changsheng Assets, Shanghai Xinhe and Shanghai Medstar in relation to the voting arrangement.

## CAPITAL INCREASE IN APRIL 2022

On April 26, 2022, our Company passed a resolution at an extraordinary general meeting to increase the registered capital of our Company from RMB324,361,364 to RMB648,722,728. During the said capital increase, 324,361,364 Shares were allotted and issued to all the then existing shareholders of our Company on the basis of one share to be issued for every one Share held according to their then shareholding, using part of the capital reserve of our Company.

## CONFIRMATION BY THE PRC LEGAL ADVISOR

As advised by our PRC Legal Advisor, all the necessary regulatory approvals, registrations or filings in relation to the changes in the registered capital and shareholding of our Company described above have been made and obtained, and the aforesaid changes in the registered capital and shareholding of our Company have been properly and legally completed pursuant to the applicable PRC laws, regulations and rules in all material respects.

## [REDACTED] INVESTMENTS

### Overview

We underwent the following rounds of **[REDACTED]** investments.

### *A Round* [REDACTED] *Investment*

On March 26, 2018, each of CICC Jiatai, Gefei Yunnuo, Guofu Hengcheng, Qingyuan AMC, Fengchuan Hongbo, Suzhou Juepu and Shengshan Huiying entered into a capital increase agreement with, among others, our Company, Shanghai Medstar and Concord Medical, pursuant to which each of CICC Jiatai, Gefei Yunnuo, Guofu Hengcheng, Qingyuan AMC, Fengchuan Hongbo, Suzhou Juepu and Shengshan Huiying agreed to invest in our Company by subscription for an aggregate of 100,000,000 Shares of our Company, representing 37.50% of the enlarged issued share capital of our Company, at a consideration of RMB15.0 per Share. Details are set forth below:

| No. | Name of investors | Consideration | Shares subscribed for | Date on which consideration was fully settled |
|---|---|---|---|---|
| 1. | CICC Jiatai Phase II (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (中金佳泰貳期 (天 津) 股權投資基金合夥企業 (有限合夥) ) ("CICC Jiatai")(1) | RMB900,000,000 | 60,000,000 | July 13, 2018 |
| 2. | Zhuhai Gefei Yunnuo Equity Investment Fund (Limited Partnership) (珠海歌斐雲諾股權投資基金 (有限合夥) ) ("Gefei Yunnuo") | RMB265,999,995 | 17,733,333 | June 28, 2018 |
| 3. | Ningbo Meishan Free Trade Port Area Guofu Hengcheng Investment Partnership (Limited Partnership) (寧波梅山保稅港區國富衡誠投資合夥企業(有限合夥) ) ("Guofu Hengcheng") | RMB84,000,000 | 5,600,000 | December 3, 2018 |
| 4. | Inner Mongolia Qingyuan Green Financial Asset Management Co., Ltd. (內蒙古慶源綠色金融資產管理有限公司) ("Qingyuan AMC")(2) | RMB100,000,005 | 6,666,667 | May 3, 2018 |
| 5. | Ningbo Meishan Free Trade Port Area Fengchuan Hongbo Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區豐川弘博投資管理合夥企業（有限合夥）) ("Fengchuan Hongbo") | RMB49,999,995 | 3,333,333 | May 30, 2018 |
| 6. | Suzhou Juepu Investment Center (Limited Partnership) (蘇州覺普投資中心（有限合夥）) ("Suzhou Juepu") | RMB82,000,005 | 5,466,667 | June 6, 2018 |
| 7. | Suzhou Shengshan Huiying Venture Capital Partnership (Limited Partnership) (蘇州盛山漶贏創業投資企業（有限合夥）) ("Shengshan Huiying") | RMB18,000,000 | 1,200,000 | May 3, 2018 |
| | **Total** | **RMB1,500,000,000** | **100,000,000** | |

(1) The capital increase agreement entered into by CICC Jiatai was supplemented on July 10, 2018, pursuant to which the consideration to be paid by CICC Jiatai was increased from RMB750,000,000 to RMB900,000,000, and the Shares subscribed to by CICC Jiatai increased from 50,000,000 to 60,000,000.

(2) Qingyuan AMC subsequently transferred all its equity interests in our Company to Changsheng Assets, an affiliate of Qingyuan AMC, in April 2021.

### *B Round* [REDACTED] *Investment*

On February 20, 2020, CITIC Industrial Investment Group Corp., Ltd. (中信興業投資集團有限公司) ("CITIC Industrial Investment") entered into a capital increase agreement with, among others, our Company, Shanghai Medstar and Concord Medical, pursuant to which CITIC Industrial Investment agreed to invest in our Company through its affiliate by subscription for an aggregate of 38,888,888 Shares of our Company, representing 12.73% of the enlarged share capital of our Company, at a consideration of RMB18.0 per Share. Details are set forth as below:

| Name of investor | Consideration | Shares subscribed for | Date on which consideration was fully settled |
|---|---|---|---|
| Ningbo Xinyu Jiahui Enterprise Management Co., Ltd. (寧波信鈺嘉慧企業管理有限公司) ("Ningbo Xinyu")(1) . . . . | RMB699,999,984 | 38,888,888 | March 13, 2020 |

(1) Ningbo Xinyu is a wholly-owned subsidiary of CITIC Industrial Investment.

### *C Round* [REDACTED] *Investment*

On April 29, 2021, each of Jiaxing Shengshi, Lingfu Jiazi, Jiaxing Lecheng, Hainan Qianyuan and Ms. TIAN Yuan entered into a capital increase agreement with, among others, our Company, Shanghai Medstar and Concord Medical, pursuant to which each of Jiaxing Shengshi, Lingfu Jiazi, Jiaxing Lecheng, Hainan Qianyuan and Ms.TIAN Yuan agreed to invest in our Company by subscription for an aggregate of 16,511,515 Shares of our Company at a consideration of RMB21.27 per Share. On June 7, 2021, Gongqingcheng Jinhe entered into a capital increase agreement with, among others, our Company, Shanghai Medstar and Concord Medical, pursuant to which Gongqingcheng Jinhe agreed to invest in our Company by subscription for 2,294,311 Shares of our Company at a consideration of RMB21.27 per Share. The 18,805,826 Shares of our Company subscribed by the aforementioned investors represent 5.8% of the enlarged share capital of our Company. Details are set forth below:

| No. | Name of investors | Consideration | Shares subscribed for | Date on which consideration was fully settled |
|---|---|---|---|---|
| 1. | Jiaxing Shengshi Equity Investment Partnership (Limited Partnership) (嘉興盛識股權投資合夥企業（有限合夥）) ("Jiaxing Shengshi") . . . . . . . . . . . . . . . . . . . . . . . . . | RMB156,499,980.60 | 7,357,780 | May 6, 2021 |
| 2. | Jinjiang Lingfu Jiazi Equity Investment Partnership (Limited Partnership) (晋江領複甲子股權投資合夥企業（有限合夥）) ("Lingfu Jiazi") . . . . . . . . . . . . . . . . . . . . . | RMB71,699,978.88 | 3,370,944 | May 11, 2021 |
| 3. | Jiaxing Lecheng Investment Partnership (Limited Partnership) (嘉興樂澄投資合夥企業(有限合夥)) ("Jiaxing Lecheng") . . . . . . . . . | RMB64,999,992.69 | 3,055,947 | May 13, 2021 |
| 4. | Hainan Qianyuan Jiamei Consulting Partnership (Limited Partnership) (海南乾原嘉美諮詢合夥企業(有限合夥)) ("Hainan Qianyuan") . . . . . . . . . . . . . . . . . . | RMB31,999,991.82 | 1,504,466 | May 7, 2021 |
| 5. | Ms. TIAN Yuan (田原) . . . . . . . . . . . . . . . . . | RMB25,999,980.06 | 1,222,378 | July 27, 2021 |
| 6. | Gongqingcheng Jinhe Equity Investment Partnership (Limited Partnership) (共青城金和股權投資合夥企業（有限合夥）) ("Gongqingcheng Jinhe") . . . . . . . . . . . . . . | RMB48,799,994.97 | 2,294,311 | August 16, 2021 |
| | **Total** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | **RMB399,999,919.02** | **18,805,826** | |

*D Round [REDACTED] Investment*

On June 8, 2023, CSPC NBP Pharmaceutical Co., Ltd. (石藥集團恩必普藥業有限公司) ("CSPC NBP") entered into a capital increase agreement with, among others, our Company, Shanghai Medstar and Concord Medical, pursuant to which CSPC NBP agreed to invest in our Company by subscription for an aggregate of 28,195,488 Shares of our Company, representing 4.17% of the enlarged share capital of our Company, at a consideration of RMB10.64 per Share. Details are set forth as below:

| Name of investor | Consideration | Shares subscribed for | Date on which consideration was fully settled |
|---|---|---|---|
| CSPC NBP . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | RMB299,999,992.32 | 28,195,488 | June 8, 2023 |

**Principal Terms of the [REDACTED] Investments**

The following table summarizes the key terms of the **[REDACTED]** Investments(4) to our Company made by the **[REDACTED]** Investors:

| | A Round(3) | B Round(3) | C Round(3) | D Round(3) |
|---|---|---|---|---|
| **Cost per Share (1)** | RMB7.50 | RMB9.00 | RMB10.635 | RMB10.64 |
| **[REDACTED] to [REDACTED] (2)** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Date of agreements** | March 26, 2018 | February 20, 2020 | April 29, 2021; June 7, 2021 | June 8, 2023 |
| **Date of on which the investment was fully settled** | December 3, 2018 | March 13, 2020 | August 16, 2021 | June 8, 2023 |
| **Post-money valuation of the Company after the investment** | RMB4.0 billion | RMB5.5 billion | RMB6.9 billion | RMB7.2 billion |
| **Lock-up period** | Subject to a lock-up period of 12 months following the **[REDACTED]** pursuant to the PRC Company Law | | | |
| **Use of proceeds from the [REDACTED] Investors' investment** | We utilized the proceeds for the principal business of our Group as approved by the Board, including, but not limited to, research and development activities, the growth and expansion of our Company's business and general working capital purposes in accordance with the budget approved by the Board. As of the Latest Practicable Date, we had utilized approximately 98.1% of the proceeds from the **[REDACTED]** investments. | | | |
| **Strategic benefit from the [REDACTED] Investors' investment** | At the time of the **[REDACTED]** Investments, our Directors were of the view that our Group could benefit from the additional capital that would be provided by the **[REDACTED]** Investors' investments in our Group and the **[REDACTED]** Investors' knowledge and experience. Moreover, our Directors were of the view that the investments by the **[REDACTED]** Investors demonstrated such investors' confidence in the business operation of our Group and serve as an endorsement of our performance and prospects. Further, our non-executive Directors represent certain of our **[REDACTED]** Investors and they complement our executive Directors to support good corporate governance. | | | |

(1) As adjusted to reflect subsequent capital increase in April 2022.

(2) The **[REDACTED]** to the **[REDACTED]** is calculated based on the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]**.

(3) A Round **[REDACTED]** Investment was conducted to expand the operation of our hospital business, especially for the acquisition of Shanghai Hospital, Guangzhou Hospital and Shanghai Outpatient Center, and to leverage the experience of such investors in capital markets.

B Round **[REDACTED]** Investment was conducted to strengthen the development of our hospital business, especially for the construction and operation of Guangzhou Hospital.

C Round **[REDACTED]** Investment was conducted to further strengthen the development of our hospital business, especially for the construction of Shanghai Hospital as well as the operation of Guangzhou Hospital, and to enlarge our shareholder base to leverage the knowledge and industry insights of such investors.

D Round **[REDACTED]** Investment was conducted to further strengthen the development of our hospital business, and to enlarge our shareholder base to leverage the knowledge and industry insights of such investor.

As of the Latest Practicable Date, Guangzhou Hospital and Shanghai Imaging Center had commenced operation, and Shanghai Hospital is under construction. See "Business—Our Hospital Business" for details. We expect to complete the phase I of the construction of Shanghai Hospital in September 2025, and the construction of the underground structure for phase II of the construction of Shanghai Hospital in October 2024. Phase I of Shanghai Hospital is expected to commence operation in January 2026.

(4) On March 9, 2023, Shanghai Medstar entered into an agreement with Shanghai Linen, pursuant to which Shanghai Medstar transferred 27.27% of the partnership interest in Shanghai Xinhe to Shanghai Linen at an aggregate consideration of RMB60,000,000. Upon completion of the transfer, Shanghai Linen's 27.27% partnership interest in Shanghai Xinhe will represent indirect interest in 6,666,667 Shares of the Company (representing 1.025% of the total issued share capital of the Company immediately prior to the **[REDACTED]**). The consideration paid by Shanghai Linen was equivalent to RMB9.00 per Share (representing a **[REDACTED]** **[REDACTED]** to **[REDACTED]**), which was fully settled on March 10, 2023.

The consideration for each of the **[REDACTED]** Investments was determined based on arm's length negotiation between our Company and the **[REDACTED]** Investors after taking into consideration of, among others, the timing of investments, the status of the business of our Group, and the business resources, opportunities and benefits that the **[REDACTED]** Investors could bring to our Company.

### Special Rights of [REDACTED] Investors

The **[REDACTED]** Investors (other than our **[REDACTED]** Investor in D Round **[REDACTED]** Investment) were granted certain special rights, including, among others, director appointment rights, right of first refusal, tag-alone rights, information rights, anti-dilution rights, divestment rights and rights to be consented prior to certain corporate actions. All special rights under the **[REDACTED]** Investments were terminated on May 30, 2022 prior to the submission of the application for the **[REDACTED]**.

### Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the investments by the **[REDACTED]** Investors are in compliance with Guidance Letter HKEX-GL29-12 issued on January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

### Information about Our [REDACTED] Investors

The following sets forth information of the existing **[REDACTED]** Investors.

#### *CICC Jiatai*

CICC Jiatai is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of CICC Jiatai is CICC Capital Management Co., Ltd. (中金資本運營有限公司), a wholly-owned subsidiary of China International Capital Corporation Limited, which is a company listed on the Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 3908). In addition, CICC Capital Management Co., Ltd. is the general partner of (i) CICC Qirong (Xiamen) Equity Investment Fund Partnership (Limited Partnership) (中金啟融（廈門）股權投資基金合夥企業（有限合夥）), a limited partner of CICC Jiatai which holds 14.94% partnership interest in CICC Jiatai; and (ii) CICC Jia'an (Tianjin) Investment Centre (Limited Partnership) (中金佳安（天津）投資中心（有限合伙）), a limited partner of CICC Jiatai which holds 13.99% partnership interest in CICC Jiatai. CICC Jiatai primarily focuses on investment in healthcare, technology, consumption and high-end manufacturing, and successfully invests in enterprises in healthcare industry.

***Ningbo Xinyu***

Ningbo Xinyu is a limited liability company established in the PRC and principally engaged in investment holding. Ningbo Xinyu is a wholly-owned subsidiary of CITIC Industrial Investment, which is in turn indirectly wholly owned by CITIC Limited, a company listed on the Stock Exchange (stock code: 0267). CITIC Industrial Investment is a capital operations platform and manages businesses including healthcare, logistics, infrastructure agriculture and advanced manufacturing.

***Gefei Yunnuo***

Gefei Yunnuo is a limited partnership established in the PRC and principally engaged in private equity investment. The general partner of Gefei Yunnuo is Wuhu Gopher Asset Management Co., Ltd. (蕪湖歌斐資產管理有限公司), a company wholly owned by Gopher Asset Management Co., Ltd. (歌斐資產管理有限公司) ("Gopher Asset Management"), which is ultimately controlled by Noah Holdings Limited, a company listed on the Stock Exchange (stock code: 6686) and the New York Stock Exchange (symbol: NOAH). Gopher Asset Management primarily focuses on private equity investment, REITs, fixed income investment, and other diversified investment area.

***CSPC NBP***

CSPC NBP is a company established in the PRC with limited liability and principally engaged in manufacture and sales of pharmaceutical products. CSPC NBP is a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited, which is a company listed on the Stock Exchange (stock code: 1093).

***Jiaxing Shengshi, Suzhou Juepu and Shengshan Huiying***

Each of Jiaxing Shengshi, Suzhou Juepu and Shengshan Huiying is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of each of Jiaxing Shengshi and Suzhou Juepu is WisdoMont Asset Management (Shanghai) Co., Ltd. (盛山資產管理（上海）有限公司) ("Shanghai WisdoMont"), a company owned as to 51% by GAN Shixiong (甘世雄), as to 25% by YU Yue (于越), as to 14% by ZHANG Peipei (張佩佩) and as to 10% by GUAN Yunxiang (管雲翔). The general partner of Shengshan Huiying is also controlled by Shanghai WisdoMont. YU Yue is a Supervisor our Company, and GAN Shixiong and ZHANG Peipei are associates of YU Yue. GUAN Yunxiang is an Independent Third Party. Shanghai Medstar, one of our Controlling Shareholders, through its wholly-owned subsidiary, holds approximately 5.15% of the interests in Shengshan Huiying as a limited partner. Shanghai WisdoMont was established in 2014 and primarily focuses on investment in life science and healthcare industries.

***Changsheng Assets***

Changsheng Assets is a limited liability company established in the PRC and principally engaged in investment holding. Changsheng Assets is owned as to 80% by Inner Mongolia Qingyuan Holding Enterprise Management Center (Limited partnership) (內蒙古慶源持股企業管理中心（有限合夥）) and as to 20% by Inner Mongolia Linguang Asset Management Co., Ltd. (內蒙古霖廣資產管理有限公司). The general partner of Inner Mongolia Qingyuan Holding Enterprise Management Center (Limited partnership) is Deriger (Shanghai) Consulting Management Center (德力格爾（上海）諮詢管理中心), a sole proprietorship enterprise owned by Deliger Batu (德力格爾巴圖), an Independent Third Party. Changsheng Assets primarily focuses on investment in technology and new energy industries.

***Guofu Hengcheng***

Guofu Hengcheng is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of Guofu Hengcheng is Dazi Dingcheng Capital Investment Co., Ltd. (達孜縣鼎誠資本投資有限公司), which is indirectly wholly owned by Zhongrong International Trust Co., Ltd. (中融國際信托有限公司). Zhongrong International Trust Co., Ltd. is owned as to 37.47% by Jingwei Textile Machinery Co., Ltd. (經緯紡織機械股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 000666), as to 32.99% by Zhongzhi Enterprise Group Co., Ltd. (中植企業集團有限公司), as to 21.54% by Harbin Investment Group Co. Ltd. (哈爾濱投資集團有限責任公司), a company controlled by the State-owned Assets Supervision and Administration Commission of Harbin Municipal People's Government (哈爾濱市人民政府國有資產監督管理委員會), and as to 8.01% by Shenyang Antaida Commerce and Trade Co., Ltd. (瀋陽安泰達商貿有限公司), a company ultimately wholly owned by WANG Haixiao (王海霞), an Independent Third Party.

***Other* [REDACTED] *Investors***

Lingfu Jiazi is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of Lingfu Jiazi is Lingfu Private Equity Fund Management (Shanghai) Co., Ltd. (領復私募基金管理(上海)有限公司) (formerly known as Ningbo Lingfu Asset Management Co., Ltd.), which is owned as to 40% by CAI Jinhuan (蔡金煥), as to 35% by JI Tian (冀田), as to 10% HUANG Guozhang (黃國璋), as to 10% by ZHU Maowei (祝毛尉) and as to 5% by ZHUO Dafeng (卓大楓), each being an Independent Third Party.

Fengchuan Hongbo is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of Fengchuan Hongbo is Jingning Fengchuan Jiahong Equity Investment Partnership (Limited Partnership) (景寧豐川佳弘股權投資合夥企業（有限合夥）), the general partner of which is Beijing Fengchuan Hongrui Private Equity Fund Management Co., Ltd. (北京豐川弘瑞私募基金管理有限公司), which is owned as to 20% by Ms. WANG Heng (being a former director of the Company) and as to 80% by XIANG Duan (相端), an associate of WANG Heng.

Jiaxing Lecheng is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of Jiaxing Lecheng is Enbo (Shanghai) Enterprise Consulting Management Co., Ltd. (恩渤（上海）企業諮詢管理有限公司), which is wholly owned by EnBoon Capital Management Corporation. EnBoon Capital Management Corporation is a company incorporated in the United States and ultimately controlled by individual investors who are Independent Third Parties.

Gongqingcheng Jinhe is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of Gongqingcheng Jinhe is GP Health Service Capital Co., Ltd. (上海金浦健服股權投資管理有限公司), which is principally engaged in investment management.

Hainan Qianyuan is a limited partnership established in the PRC and principally engaged in investment holding. The general partner of Hainan Qianyuan is Hainan Qianyuan Private Fund Management Co., Ltd., which is owned as to 80% by LIU Xiaoyu (劉小宇) and as to 20% by ZHOU Kaixiang (周楷翔), each being an Independent Third Party.

Ms. TIAN Yuan is an individual investor, who is an Independent Third Party. She was the founding partner and investment director of Jianyuan Tianhua Investment Management (Beijing) Co., Ltd. (建元天華投資管理（北京）有限公司).

Shanghai Linen is a limited liability company established in the PRC and principally engaged in investment holding. Shanghai Linen is owned as to 79.6% by TIAN Sirong (田四榮) (being a substantial shareholder of Concord Medical), as to 10.2% by LIU Yiwei (劉一暐), and as to 10.2% by TIAN Cong (田聰), each of the latter two being an Independent Third Party.

**[REDACTED]**

Upon completion of the **[REDACTED]**, save for (i) the Domestic Shares held by our existing Shareholders, representing approximately **[REDACTED]**% of our issued share capital immediately upon completion of the **[REDACTED]** (assuming **[REDACTED]** is not **[REDACTED]**), and (ii) the H Shares held by Beijing Concord, Tianjin Concord, Shanghai Guanyou, Changsheng Assets and Ms. TIAN Yuan, representing approximately **[REDACTED]**% of our issued share capital immediately upon completion of the **[REDACTED]** (assuming **[REDACTED]** is not **[REDACTED]**), all the H Shares held by the **[REDACTED]** Investors and other Shareholders will count towards part of the **[REDACTED]**. As a result, immediately upon completion of the **[REDACTED]**, assuming (i) **[REDACTED]** H Shares are issued and sold in the **[REDACTED]**, (ii) the **[REDACTED]** is not **[REDACTED]**, and (iii) the conversion of **[REDACTED]** Domestic Shares into H Shares as described in "Share Capital—Conversion of our Domestic Shares into H Shares" in this document, an aggregate of **[REDACTED]** H Shares will count towards the **[REDACTED]** of our Company upon the completion of the **[REDACTED]**, representing **[REDACTED]**% of the total issued Shares of our Company upon the completion of the **[REDACTED]**.

**[REDACTED]**

## CAPITALIZATION

Following the completion of the **[REDACTED]** and the conversion of our Domestic Shares into H Shares, assuming the **[REDACTED]** is not **[REDACTED]**, our Domestic Shares and H Shares that will be held by each of our existing Shareholders are set forth as below:

| Name of Shareholders | Number of Shares upon [REDACTED] | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document (1) | Approximate percentage of shareholding in the total issued share capital of our Company upon completion of the [REDACTED] (1) | Approximate percentage of shareholding in our Domestic Shares / H Shares upon completion of the [REDACTED] (1) |
|---|---|---|---|---|
| ***Shareholders holding Domestic Shares upon [REDACTED]*** | | | | |
| Shanghai Medstar | **[REDACTED]** | 28.43% | **[REDACTED]%** | **[REDACTED]%** |
| CICC Jiatai | **[REDACTED]** | 17.73% | **[REDACTED]%** | **[REDACTED]%** |
| Ningbo Xinyu | **[REDACTED]** | 11.49% | **[REDACTED]%** | **[REDACTED]%** |
| CSPC NBP | **[REDACTED]** | 4.17% | **[REDACTED]%** | **[REDACTED]%** |
| Jiaxing Shengshi | **[REDACTED]** | 2.17% | **[REDACTED]%** | **[REDACTED]%** |
| Shanghai Xinhe | **[REDACTED]** | 1.97% | **[REDACTED]%** | **[REDACTED]%** |
| Suzhou Juepu | **[REDACTED]** | 1.62% | **[REDACTED]%** | **[REDACTED]%** |
| Lanhai Youfang | **[REDACTED]** | 0.98% | **[REDACTED]%** | **[REDACTED]%** |
| Jinkang Shenyou | **[REDACTED]** | 0.52% | **[REDACTED]%** | **[REDACTED]%** |
| Shengshan Huiying | **[REDACTED]** | 0.35% | **[REDACTED]%** | **[REDACTED]%** |
| ***Subtotal*** | **[REDACTED]** | **69.43%** | **[REDACTED]%** | **[REDACTED]%** |
| ***Shareholders holding H Shares upon [REDACTED]*** | | | | |
| Beijing Concord | **[REDACTED]** | 10.10% | **[REDACTED]**% | **[REDACTED]%** |
| Gefei Yunnuo | **[REDACTED]** | 5.24% | **[REDACTED]**% | **[REDACTED]%** |
| Tianjin Concord | **[REDACTED]** | 4.15% | **[REDACTED]**% | **[REDACTED]%** |
| Shanghai Guanyou | **[REDACTED]** | 2.12% | **[REDACTED]**% | **[REDACTED]%** |
| Changsheng Assets | **[REDACTED]** | 1.97% | **[REDACTED]**% | **[REDACTED]%** |
| Guofu Hengcheng | **[REDACTED]** | 1.65% | **[REDACTED]**% | **[REDACTED]%** |
| Lingfu Jiazi | **[REDACTED]** | 1.00% | **[REDACTED]**% | **[REDACTED]%** |
| Fengchuan Hongbo | **[REDACTED]** | 0.98% | **[REDACTED]**% | **[REDACTED]%** |
| Jinshi Haorui | **[REDACTED]** | 0.98% | **[REDACTED]**% | **[REDACTED]%** |
| Jiaxing Lecheng | **[REDACTED]** | 0.90% | **[REDACTED]**% | **[REDACTED]%** |
| Gongqingcheng Jinhe | **[REDACTED]** | 0.68% | **[REDACTED]**% | **[REDACTED]%** |
| Hainan Qianyuan | **[REDACTED]** | 0.44% | **[REDACTED]**% | **[REDACTED]%** |
| TIAN Yuan | **[REDACTED]** | 0.36% | **[REDACTED]**% | **[REDACTED]%** |
| Investors taking part in the **[REDACTED]** | **[REDACTED]** | — | **[REDACTED]**% | **[REDACTED]**% |
| ***Subtotal*** | **[REDACTED]** | **30.57%** | **[REDACTED]%** | **[REDACTED]%** |
| **Total** | **[REDACTED]** | **100.00%** | **[REDACTED]%** | **—** |

(1) Rounding to two decimals.

## ACQUISITIONS, INVESTMENTS AND DISPOSALS

### *Acquisition of Beijing Healthingkon*

In order to develop our AI technologies and drive the synergistic consolidation of our service portfolio by enhancing our services provided through cloud platforms, our Company entered into a share purchase agreement dated August 12, 2021 with Tianjin Jiatai Enterprise Management Center (Limited Partnership) (天津市嘉泰企業管理中心（有限合夥）) and Global Medical Imaging (Hong Kong) Limited (環球醫學影像（香港）有限公司), each being a company indirectly wholly owned by Concord Medical, pursuant to which, we acquired approximately 18.73% and 5.01% of the equity interests in Beijing Healthingkon from Tianjin Jiatai Enterprise Management Center (Limited Partnership) and Global Medical Imaging (Hong Kong) Limited, respectively, at a consideration of RMB106.5 million and RMB28.5 million. On the same date, our Company entered into a capital increase agreement with other shareholders of Beijing Healthingkon, pursuant to which our Company agreed to further invest in Beijing Healthingkon by subscription of approximately 2.60% of the equity interests in Beijing Healthingkon at a consideration of RMB20 million. The consideration for the acquisition of Beijing Healthingkon was determined after arms' length negotiations between the parties with reference to, among other things, (1) the fair value of Beijing Healthingkon, and (2) the business prospects of Beijing Healthingkon. As of the Latest Practicable Date, our Group had already paid all the consideration for the acquisition of Beijing Healthingkon.

In order to strengthen the management and control of Beijing Healthingkon as well as to maintain the consistency in decision-making on corporate affairs, on August 12, 2021, we also entered into a supplemental agreement to voting proxy agreement ("Supplemental Agreement") with Tianjin Jiatai Enterprise Management Center (Limited Partnership), Healthingkon Investment Holding Co., Ltd. (和信康投資控股有限公司) ("Healthingkon Investment", an Independent Third Party other than being a substantial shareholder of Beijing Healthingkon) and ZHU Feng (竹楓) (an Independent Third Party other than being a substantial shareholder of Beijing Healthingkon), to amend and supplement the original voting proxy agreement dated January 4, 2021 among Tianjin Jiatai Enterprise Management Center (Limited Partnership), Healthingkon Investment and ZHU Feng (竹楓). Pursuant to the Supplemental Agreement, our Company, Healthingkon Investment and ZHU Feng (竹楓) have undertaken to vote unanimously for any resolutions proposed at the board meetings and shareholders meetings of Beijing Healthingkon, where applicable; and if the parties are unable to reach unanimous consensus, our Company will determine how to vote for and on behalf of itself and Healthingkon Investment and ZHU Feng (竹楓). Healthingkon Investment and ZHU Feng entered into such voting proxy agreement because they would like to defer their voting rights to our Company based on their confidence in our expertise and experience and believe that such arrangement can facilitate better development of Beijing Healthingkon. The Supplemental Agreement shall remain in effect as long as Beijing Healthingkon exists, unless all parties thereto agree in writing to terminate such agreement. As of the Latest Practicable Date, our Company, Healthingkon Investment and ZHU Feng (竹楓) held approximately 26.34%, 21.68% and 15.67% of the equity interests in Beijing Healthingkon, respectively, and our Company controlled approximately 63.69% of the voting right at the general meeting of Beijing Healthingkon.

According to HKFRS10.B38-B39, an investor can have power even if it holds less than a majority of the voting rights of an investee, through a voting proxy arrangement between the investor and other vote holders. A voting proxy arrangement between an investor and other vote holders can give the investor the right to exercise voting rights sufficient to give the investor power, even if the investor does not have voting rights sufficient to give it power without the voting proxy arrangement. General meeting of shareholders is the highest authority in Beijing Healthingkon, and all significant corporate affaires such as operating activities, investment budget, financial budget and dividend distribution require the approval of more than 50% of the voting right at the general meeting of Beijing Healthingkon. According to HKFRS 10.7, an investor controls an investee if and only if the investor has all the followings: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Based on the Supplemental Agreement, our Company has obtained approximately 63.69% of the voting right at the general meeting of Beijing Healthingkon, which allow our Company to have power over Beijing Healthingkon by making all significant financial and operating decisions at the general meetings of Beijing Healthingkon. Furthermore, our Company is exposed, or has rights, to variable returns from its involvement with Beijing Healthingkon because our Company's returns from such involvement have the potential to vary as a result of Beijing Healthingkon's performance. In addition, our Company has the ability to use its power to affect ourCompany's returns from its involvement with Beijing Healthingkon because our

Company is entitled to the majority of the voting right at the general meeting of Beijing Healthingkon. Accordingly, Beijing Healthingkon is accounted for as a subsidiary of the Group and consolidated into the Group's financial statements. As of the acquisition date, the net liabilities acquired by the Group in connection with the acquisition of Beijing Healthingkon was in the amount of approximately RMB275.8 million.

Beijing Healthingkon is an AI-orientated company which was certified by China Academy of China Medical Sciences (中國中醫科學院) in May 2020 for its AI-driven Traditional Chinese Medicine Tongue Diagnosis technology ensuing the application of AI engine. In light of its AI technologies, we acquired Beijing Healthingkon to enhance the development of our services provided through cloud platforms, to achieve better synergistic effects among our business segments, and to have clear delineation between our business and the business of CCM Group. Supported by the AI engine developed by Beijing Healthingkon, our cloud medical diagnostic imaging system, Jiahe Yunying Remote Imaging Information Diagnosis Platform, is expected to utilize the technologies of imaging analysis and NLP to assist in tumor lesion classification, lesion detection and lesion segmentation. Such AI-enabled system can further improve our clinical practice in our hospital business. See "Business—Our Medical Equipment, Software and Related Services—Sales and Installing of Medical Equipment and Software—Cloud Platform" for more information.

Our revenues generated from Beijing Healthingkon together with its subsidiaries, including Shanghai Imaging Center (excluding intra-group transactions) for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were RMB20.1 million, RMB40.0 million, RMB33.2 million and RMB34.9 million, representing approximately 12.1%, 8.5%, 7.0% and 12.2% of the total revenue of our Group, respectively. Beijing Healthingkon is deemed acquired and become part of the Group since January 1, 2021 and the operating results of Beijing Healthingkon were included in the consolidated financial statements of the Group since then, while Shanghai Imaging Center, a subsidiary of Beijing Healthingkon, is deemed acquired and become part of the Group since November 18, 2019 earlier than Beijing Healthingkon, each being the timing when such entity first came under the control of Concord Medical, due to the following reasons: (i) Shanghai Imaging Center became a subsidiary of Concord Medical on November 18, 2019 and the operating results of Shanghai Imaging Center were included in the consolidated financial statements of Concord Medical since then; (ii) Concord Medical (through its subsidiaries) subscribed for certain equity interests in Beijing Healthingkon and obtained the majority control over Beijing Healthingkon through voting proxy agreement with certain other shareholders of Beijing Healthingkon on January 4, 2021, and the operating results of Beijing Healthingkon were included in the consolidated financial statements of Concord Medical since January 1, 2021; (iii) as part of the consideration paid in the transaction mentioned in item (ii) above, Concord Medical (through its subsidiaries) transferred 89% of the equity interest in Shanghai Imaging Center to Beijing Healthingkon, which was completed in April 2021, and Shanghai Imaging Center became subsidiary of Beijing Healthingkon since then; (iv) our Company subsequently acquired certain equity interests in Beijing Healthingkon from Concord Medical and obtained the majority control over Beijing Healthingkon through voting proxy agreement with certain other shareholders of Beijing Healthingkon in August 2021 as described above ("Healthingkon Acquisition"). As the Group is also controlled by Concord Medical, the Group has applied the merger accounting to account for the Healthingkon Acquisition. Accordingly, the consolidated financial statements of the Group shall be prepared as if the Healthingkon Acquisition had been completed at the beginning of the earliest period presented or combining entities first came under the control of the controlling party, namely Concord Medical.

For the purpose of applying merger accounting for Healthingkon Acquisition, common control can be exercised by Concord Medical over the Company, especially over the period from November 18, 2019 to August 12, 2021, based on the followings: (i) for the period from November 2019 to January 2020, Concord Medical, through its subsidiaries, held approximately 60.00% of the equity interests in the Company. Upon the share transfer in February 2020, Concord Medical, through its subsidiaries, held approximately 57.30% of the equity interests in the Company. Accordingly, during the period from November 2019 to February 2020, Concord Medical has the power to control and direct the key operating and financing activities of the Company through over 57% of the voting rights at the general meeting of shareholders of the Company; (ii) upon completion of B Round **[REDACTED]** Investment in March 2020, Concord Medical's ownership in the Company was diluted from approximately 57.30% to approximately 50.01%. Accordingly, during the period from March 2020 to November 2020, Concord Medical had the power to control and direct the key operating and financing activities of the Company through approximately 50.01% of the voting rights at the general meeting of shareholders of the Company; (iii) in December 2020, Concord Medical's ownership in the Company was diluted from approximately 50.01% to approximately 49.44% due to the transfer of certain equity interest in the Company by Concord Medical (i.e., its shareholding through Jinkang Shenyou) to certain Independent Third Party. On

December 1, 2020, Concord Medical (through Shanghai Medstar) obtained a proxy from one shareholder (namely, Shanghai Guanyou) of the Company, pursuant to which Shanghai Guanyou irrevocably delegates its voting rights at the general meeting of shareholders of the Company to Shanghai Medstar as long as it owns the equity interest in the Company. As a result, for the period from December 2020 to August 2021, Concord Medical had the power to control and direct the key operating and financing activities of the Company through not less than approximately 51.80% of the voting rights at the general meeting of shareholders of the Company; (iv) after the completion of C Round **[REDACTED]** Investment in August 2021, Concord Medical's ownership in the Company was diluted from approximately 49.44% to approximately 46.56%. In April 2021, Concord Medical (through Shanghai Medstar) further obtained a proxy from another shareholder (namely, Changsheng Assets) of the Company, pursuant to which Changsheng Assets irrevocably delegates its voting rights at the general meeting of shareholders of the Company to Shanghai Medstar during the period that they own the equity interest in the Company. As a result, for the period from August 2021 to December 2021, Concord Medical has the power to control and direct the key operating and financing activities of the Company through not less than approximately 50.83% of the voting rights at the general meeting of shareholders of the Company. Hence, Concord Medical had controlled the Company by holding over 50% of the voting rights at the general meeting of shareholders of the Company throughout the period from November 2019 to August 2021, and common control can be exercised by Concord Medical over the Company for the purpose of applying merger accounting during such period. See Note 3 to the Accountants' Report in Appendix I to this document for more information.

***Acquisition of Guangzhou Concord***

In order to expand our business presence into Pearl River Delta region, our Company entered into a share purchase agreement dated March 5, 2020 with ZENG Zhaoming (曾昭鳴) and ZENG Zhaopeng (曾昭鵬), each being an Independent Third Party (other than ZENG Zhaopeng currently being a substantial shareholder of Guangzhou Concord and a supervisor of Guangzhou Outpatient Center), pursuant to which, we acquired 68% and 2% of the equity interests in Guangzhou Concord Hospital Management Co., Ltd. ("Guangzhou Concord"), the holding company of Guangzhou Outpatient Center, from ZENG Zhaoming and ZENG Zhaopeng, respectively, at a consideration of RMB8,160,000 and RMB240,000. The only business held by Guangzhou Concord is Guangzhou Outpatient Center, which is primarily engaged in medical treatment and service. The consideration for the acquisition of Guangzhou Concord was determined after arms' length negotiations between the parties with reference to, among other things, (1) the net assets value of Guangzhou Concord, and (2) the business prospects of Guangzhou Concord. As of the Latest Practicable Date, our Group had already paid all the consideration for the acquisition of Guangzhou Concord, and our Company held 70% of the equity interests in Guangzhou Concord; and the remaining 30% equity interests in Guangzhou Concord were held by ZENG Zhaopeng.

***Investment in Hengjian Hezi***

Guangdong Hengjian Hezi Medical Industry Co., Ltd. (廣東恒健核子醫療產業有限公司) ("Hengjian Hezi") is a limited liability company established in the PRC on January 26, 2011 and is primarily engaged in proton equipment development and manufacturing as well as proton therapy services. To enhance our capability in the provision of proton therapy services, our Company entered into a capital increase agreement dated December 7, 2020 (as supplemented in February 2022 and January 2023) with Hengjian Hezi and its shareholders, Hebei United Health Medical Management Co., Ltd. (河北聯合健康醫療管理有限公司) and Guangdong Hengtaian Investment Co., Ltd. (廣東恒泰安投資有限公司), each being an Independent Third Party, pursuant to which our Company agreed to invest in Hengjian Hezi by subscription of the increased registered capital of Hengjian Hezi at a total consideration of approximately RMB346.7 million so as to hold 37.21% of the equity interests of Hengjian Hezi. The consideration was determined after arms' length negotiations between the parties with reference to (1) the net assets value of Hengjian Hezi as determined in a valuation report prepared by an independent external appraiser, and (2) the business prospects of Hengjian Hezi. Pursuant to the aforesaid agreements, we completed the first acquisition in September 2021. Upon the completion of the first acquisition in September 2021 and as of the Latest Practicable Date, our Company had paid the consideration of approximately RMB86.6 million and 14.20% of the equity interests in Hengjian Hezi was held by our Company through our wholly-owned subsidiary, Shenzhen Aohua; and the remaining equity interests in Hengjian Hezi were held as to 56.63% by Hebei United Health Medical Management Co., Ltd. and as to 29.17% by Guangdong Hengtaian Investment Co., Ltd. Pursuant to the agreements among the parties, our Company will complete the second acquisition, subject to certain conditions precedent, at the consideration of approximately RMB260.1 million, and even if such conditions precedent are satisfied, the parties will not require our Company to fulfill such obligation until after December 31, 2023.

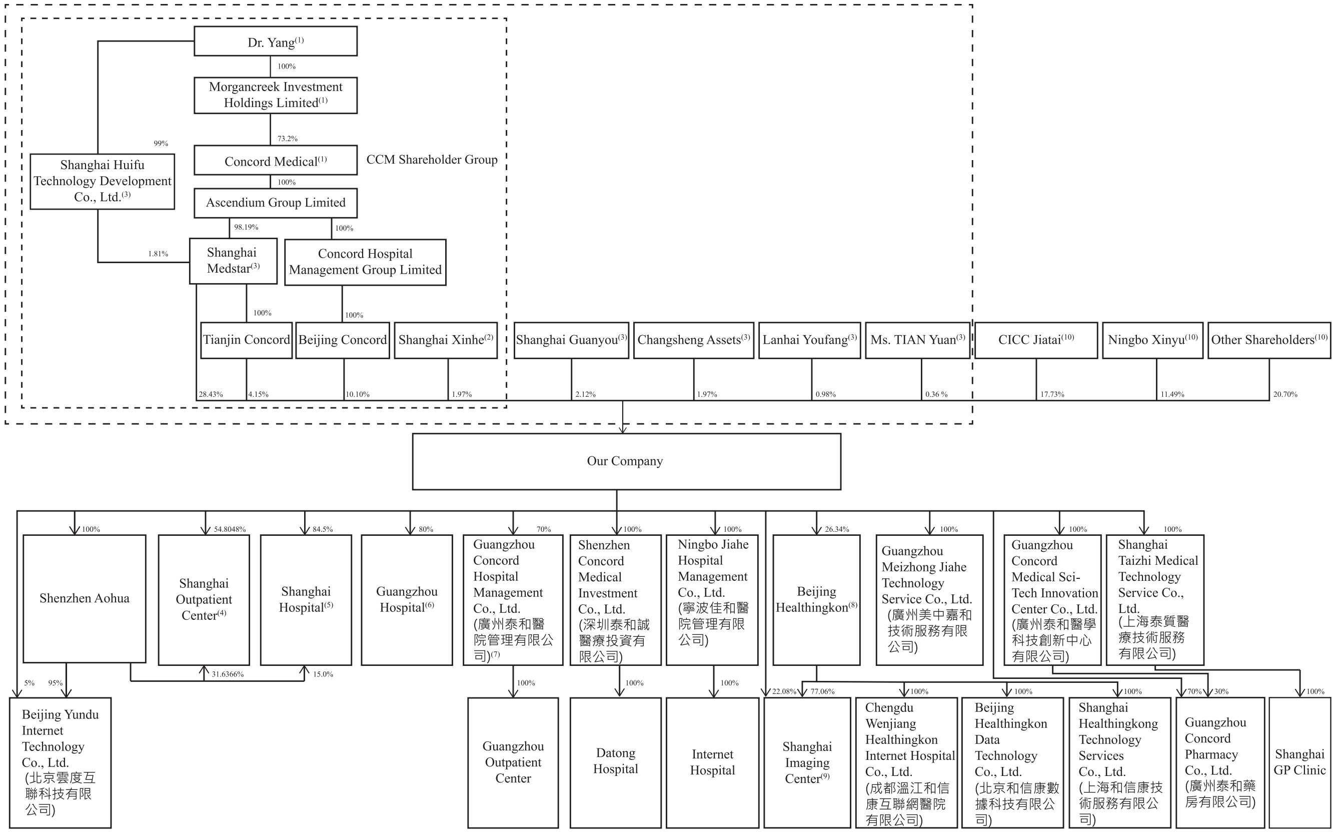
***Disposal of Beijing Century Friendship***

On November 12, 2021, our Company, Shenzhen Aohua and Shanghai Medstar entered into a reorganization framework agreement, pursuant to which, our Company and Shenzhen Aohua transferred 78.3% and 21.7% of the equity interests in Beijing Century Friendship Science & Technology Development Co., Ltd (北京世紀友好科技開發有限公司) ("Beijing Century Friendship"), respectively, to Shanghai Medstar, being one of our Controlling Shareholders, at an aggregate consideration of RMB296.7 million. The only interest held by Beijing Century Friendship was 55.0% of the equity interests in Beijing Proton Medical Center Co., Ltd. (北京質子醫療中心有限公司), which has not commenced operation as of the date of this document and was disposed by us as it will be registered as a non-profit medical institution as required under the relevant laws and regulations in the PRC. See "Relationship with Our Controlling Shareholders—Business Delineation and Competition." The aggregate consideration was determined after arms' length negotiations between the parties with reference to the net assets value of Beijing Century Friendship as determined in a valuation report prepared by an independent external appraiser. As of the Latest Practicable Date, the consideration under the aforementioned reorganization framework agreement had been fully settled.

None of the applicable percentage ratios as defined under the Listing Rules in respect of any of the above acquisitions exceeds 25% which would require disclosure under Rule 4.05A of the Listing Rules.

## OUR CORPORATE STRUCTURE

The following chart illustrates our corporate structure as of the Latest Practicable Date and immediately prior to the **[REDACTED]**:




(1) As of the Latest Practicable Date, approximately 50.08% of the voting rights at general meetings of our Company are controlled by the CCM Shareholder Group. As of the Latest Practicable Date, Dr. Yang, through his controlled entity, Morgancreek Investment Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands, is entitled to exercise approximately 73.2% of the voting rights at general meetings of Concord Medical.

(2) The general partner of Shanghai Xinhe is Shanghai Xinfu Enterprise Management Center (Limited Partnership), the general partner of which is Shanghai Huifu Technology Development Co., Ltd. The limited partners of Shanghai Xinhe are Shanghai Medstar and Shanghai Linen, which hold 72.73% and 27.27% of the partnership interest in Shanghai Xinhe, respectively.

(3) The remaining 1.81% equity interests in Shanghai Medstar were owned by Shanghai Huifu Technology Development Co., Ltd., which is in turn owned as to approximately 99% by Dr. Yang and as to approximately 1% by Mr. SHI Botao. Each of Shanghai Guanyou, Changsheng Assets and Shanghai Xinhe had confirmed and agreed that they had and would continue to, for so long as they are interested in the Shares, defer their voting rights to Shanghai Medstar at the shareholders' meetings of our Company, and that any exercise of the aforementioned voting rights and the signing of documents by Shanghai Medstar shall be deemed as the actions of such shareholders themselves. Each of Lanhai Youfang and Ms. TIAN Yuan had confirmed and agreed that, for a period of one year commencing from June 30, 2023, they would defer their voting rights to Shanghai Medstar at the Shareholders' meetings of our Company, and that any exercise of the aforementioned voting rights and the signing of documents by Shanghai Medstar shall be deemed as the actions of such shareholders themselves. See "—Voting Proxy Arrangement" for details.

(4) The remaining equity interests in Shanghai Outpatient Center were owned as to 9.9986% by Shanghai Epu Supply Chain Technology Co., Ltd. (上海峨浦供應鏈科技有限公司), an Independent Third Party, and as to 3.5600% by Concord Hospital Management Group Limited (泰和誠醫院管理集團有限公司), a wholly-owned subsidiary of Concord Medical.

(5) The remaining 0.5% equity interests in Shanghai Hospital were owned by CCM (Hong Kong) Medical Investment Limited (泰和誠（香港）醫療投資有限公司), a wholly-owned subsidiary of Concord Medical.

(6) The remaining 20% equity interests in Guangzhou Hospital were owned by Guangdong Guanhua Medical Services Co., Ltd. (廣東冠華醫療服務有限公司), an Independent Third Party other than being a substantial shareholder of this entity.

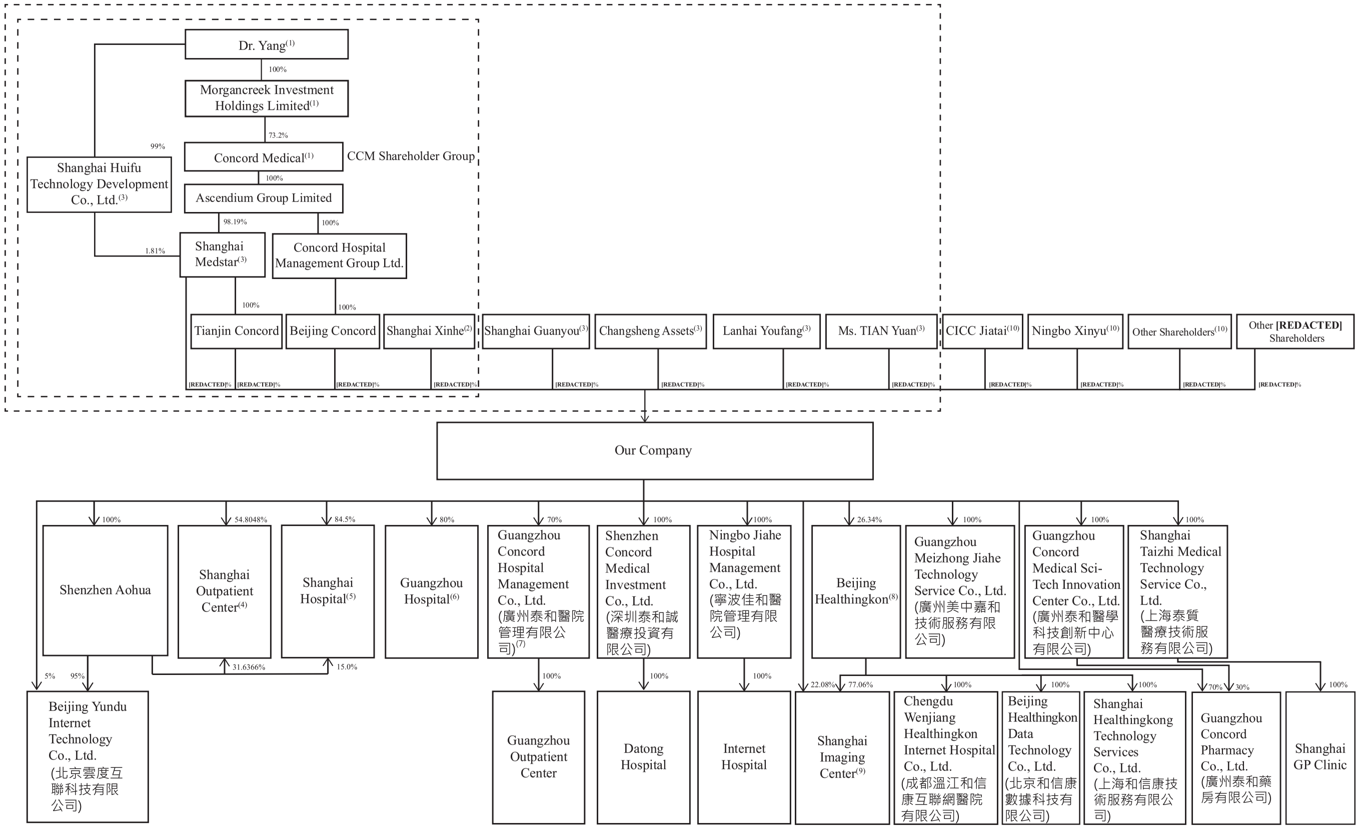
(7) The remaining 30% equity interests in Guangzhou Concord Hospital Management Co., Ltd. (廣州泰和醫院管理有限公司) were owned by ZENG Zhaopeng (曾昭鵬), an Independent Third Party other than being a substantial shareholder of this entity and a supervisor of Guangzhou Outpatient Center.

(8) Our Company controlled 63.69% voting right in Beijing Healthingkon through voting proxy arrangement between our Company and certain other shareholders of Beijing Healthingkon, namely Healthingkon Investment and ZHU Feng. See "—Acquisitions, Investments and Disposals—Acquisition of Beijing Healthingkon." The remaining equity interests in Beijing Healthingkon were owned as to 17.83% by Beijing Healthingkon Information Technology Partnership (Limited Partnership) (北京和信康信息科技合夥企業（有限合夥）), as to 7.90% by Shanghai Epu Supply Chain Technology Co., Ltd. (上海峨浦供應鏈科技有限公司) (an Independent Third Party), as to 5.69% by Fengchuan Hongbo (one of our Shareholders), as to 3.90% by ZHANG Zhengyu (章征宇) (an Independent Third Party) and as to 0.98% by TENG Shengchun (our Supervisor). The general partner of Beijing Healthingkon Information Technology Partnership (Limited Partnership) is owned as to 99.99% by Dr. Yang. Beijing Healthingkon issued a 4.75 % convertible bond with a principal amount of RMB20.0 million to an Independent Third Party (the "Subscriber") in December 2021. The convertible bond is denominated in Renminbi and will mature in five years from the issuance date. The Subscriber has the right to convert the convertible bond in whole or in part into equity interests in Beijing Healthingkon. Pursuant to the terms of the convertible bond, (i) if the Subscriber fully exercises its right to convert during the period from the date of issuance of the convertible bond to the third anniversary of the issuance date (i.e., December 2024), the Subscriber shall be entitled to 2.5% of the equity interests in Beijing Healthingkon, which is calculated by dividing the outstanding principal amount of the convertible bond (the maximum of which shall be RMB20.0 million) by the agreed valuation of Beijing Healthingkon on the issuance date (i.e., RMB800.0 million), and the voting right at the general meeting of Beijing Healthingkon controlled by our Company will be diluted from approximately 63.69% to approximately 62.10%; (ii) if the Subscriber fully exercises its right to convert during the period after the third anniversary of issuance date to the maturity of the convertible bond (i.e., December 2026), the percentage of equity interests in Beijing Healthingkon that Subscriber shall be entitled to shall be calculated by dividing the outstanding principal amount of the convertible bond (the maximum of which shall be RMB20.0 million) by the aggregate of (a) the outstanding principal amount of the convertible bond and (b) 80% of the valuation of Beijing Healthingkon prior to the conversion. See Note 26 to the Accountants' Report in Appendix I to this document.

(9) The remaining 0.86% equity interests in Shanghai Imaging Center were owned by Global Medical Imaging (Hong Kong) Limited (環球醫學影像（香港）有限公司), an indirectly wholly-owned subsidiary of Concord Medical.

(10) See "—Corporate Development of Our Company," "—**[REDACTED]** Investments" and "—Capitalization" in this section for more information.

The following chart illustrates our corporate structure immediately after completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**):




(1) to (10): Please refer to the corresponding notes to the corporate structure of our Company prior to the **[REDACTED]**.

## OVERVIEW

We are an oncology healthcare service provider in China serving both cancer patients and third-party medical institutions, with a market share of 0.5% in terms of revenue in 2022 in the private oncology healthcare service market in China, according to the F&S Report.

We serve both cancer patients through our self-owned medical institutions and third-party medical institutions through our medical equipment, software and related services. In our self-owned medical institutions, we provide a full spectrum of oncology healthcare services to cancer patients across the entire care continuum, leveraging our medical professionals and diagnosis and treatment capabilities featuring precision radiation therapy. As of the Latest Practicable Date, we had six self-owned medical institutions in operation located in Guangzhou, Shanghai and Datong, including two cancer hospitals, three outpatient centers or clinic and one imaging diagnosis center, and an internet hospital. We had one additional self-owned cancer hospital under construction in Shanghai, as of the same date. We expect our Guangzhou Hospital to commence the operation of its proton center and provide proton therapy services in 2024.

Through our medical equipment, software and related services, we serve a widespread network of enterprise customers, primarily hospitals, with integrated oncology-related services, including primarily sales and installing of medical equipment and software, management and technical support, and operating lease. Furthermore, we have integrated our online and offline medical resources into our cloud platforms to offer various cloud-based services. Our cloud platforms serve to improve the quality of oncology healthcare in lower-tier cities and alleviate the uneven distribution of critical healthcare resources in China. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we served 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services, respectively. The number of our enterprise customers increased significantly in 2021 as a result of an upgrade of our service capabilities and a step-up of our market education efforts. As of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease.

### Our Market Opportunities

China had a large number of newly diagnosed cancer patients and cancer-related deaths in 2022, accounting for approximately 23.8% of the new cancer cases and approximately 26.9% of the cancer-related deaths worldwide, according to the F&S Report. China's oncology healthcare service is in the early stages of development relative to more mature markets globally, including the United States, according to the same source. China's oncology healthcare service faces challenges in the scarcity and uneven distribution of medical resources, which causes patient overcrowding, especially in public hospitals in first-tier cities.

On the one hand, uniform standard of care and advanced methodologies, such as MDT and precision radiation therapy, are sporadically implemented in China, which leaves significant room for improvement in treatment quality, according to the F&S Report. The MDT approach brings together a group of healthcare professionals from different fields involved in cancer care with the overarching goal of optimizing patient care and treatment efficacy, which is integral to the current best practice in oncology in the United States. In China, the adoption of the MDT approach is ad hoc and sporadic. The prevalence of the traditional sequential treatment approach in China, where patients undergo consecutive consultations with the surgery, radiation therapy and chemotherapy departments, results in limited treatment options, possible delays in treatment, and traveling burdens for patients. According to the F&S Report, the adoption of the MDT approach contributes to a higher overall survival rate and a longer survival period for patients. The adoption rate of the MDT approach in cancer care was approximately 6% in China in 2022, defined as the percentage of MDT treatment of all cancer types offered in all hospitals, as compared to approximately 80% in the United States in the same year, according to the same source. In addition, as the future trend for radiation therapy, precision radiation therapy, which pinpoints tumor tissues, can significantly improve treatment efficacy and limit side effects and risks, according to the F&S Report. The adoption rate of radiation therapy, defined as the percentage of all cancer patients who receive radiation therapy, was approximately 29% in China in 2019, representing significant growth potential to catch up with approximately 62% in the United States, according to the F&S Report. Furthermore, proton therapy, one of the most advanced precision radiation therapy treatment options, is also at the nascent stages of development. As of December 31, 2022, there were approximately 100 proton therapy treatment centers in operation worldwide, approximately 40% of which were in the United States, according to the F&S Report.

On the other, healthcare resources are generally concentrated in major cities and in large public healthcare institutions in China, and as a result, the quality of diagnosis, treatment and patient experience in lower-tier cities may not be guaranteed. An integrated healthcare solution, consisting of offline supply-chain and operational services as well as advanced cloud technology to facilitate remote diagnosis and treatment, are expected to tackle these challenges. In particular, an integrated healthcare solution benefits small- and medium-sized hospitals with increased medical expertise by connecting them with external experts for joint medical consultations, and it also serve large hospitals by improving their management efficiency with digitalized systems. However, the provision of such solution requires a combination of various healthcare resources, hardware, software and algorithms, resulting in an underdeveloped support service market, according to the F&S Report.

As a result of these challenges, the five-year survival rate was approximately 40.5% for all cancer types combined in China, as compared to approximately 67.7% in the United States, according to the F&S Report. Driven, in part, by the economic development and consumption upgrading in China, patient demand for patient-oriented cancer care for improved quality of life has significantly increased. Revenue of private oncology healthcare institutions in China increased from RMB18.9 billion in 2016 to RMB53.0 billion in 2022, at a CAGR of 18.7%, and is expected to reach RMB109.2 billion in 2026, at a CAGR of 19.8% from 2022 to 2026, according the F&S Report. The revenue of cancer treatment support service market in China increased from RMB4.9 billion in 2016 to RMB7.0 billion in 2022, at a CAGR of 6.2%, and is expected to reach RMB9.7 billion in 2026, at a CAGR of 8.6% from 2022 to 2026, according the F&S Report. We believe that we are well positioned to capture the market growth, leveraging our MDT specialists, robust diagnosis, and accumulated healthcare resources within our network of enterprise customers.

**Our Medical Institutions and Services**

We have established or acquired seven offline medical institutions, strategically located primarily in the most developed regions in China, including:

- Guangzhou Concord Cancer Hospital (廣州泰和腫瘤醫院) ("Guangzhou Hospital") and Guangzhou Concord Medical Outpatient Center (廣州泰和醫療門診部) ("Guangzhou Outpatient Center") in the Greater Bay Area region;

- Shanghai Concord Medical Cancer Outpatient Center (上海美中嘉和腫瘤門診部) ("Shanghai Outpatient Center"), Shanghai Meizhong Jiahe Yunying General Practice Clinic (上海美中嘉和雲影全科診所) ("Shanghai GP Clinic") and Shanghai Concord Medical Imaging Diagnostic Center (上海美中嘉和醫學影像診斷中心) ("Shanghai Imaging Center") in the Yangtze River Delta region; and

- Datong Meizhong Jiahe Cancer Hospital (大同美中嘉和腫瘤醫院) ("Datong Hospital") and Datong Meizhong Jiahe Traditional Chinese Medical Clinic (大同美中嘉和中醫診所) ("Datong Clinic") in the North China region.

We offer a full spectrum of oncology healthcare services to cancer patients across the entire care continuum, including screening, diagnosis, treatment and post-treatment health management at our medical institutions. We have a committed team of full-time physicians from various disciplines and nursing staff attending to the patient's needs throughout the MDT process. In May 2021, we launched our Internet Hospital, as a one-stop portal to connect cancer patients with comprehensive healthcare resources and attracting patients to our offline medical institutions. Our Internet Hospital primarily provides remote hospital appointment, diagnostic interpretation, MDT, post-treatment health management and oncology-related guidance, through which we strive to provide comprehensive and targeted healthcare services to meet the evolving patient demands in China.

We are among a handful of oncology healthcare groups that are early adopters of precision radiation therapy in China, according to the F&S Report. As of June 30, 2023, we owned or managed 18 sets of precision radiation therapy equipment in our self-owned medical institutions and partnered hospitals. For each patient, we provide customized treatment plans with radiation models precisely calibrated by our in-house radiation physicists. In addition, our Shanghai Concord Medical Cancer Hospital (上海泰和誠腫瘤醫院) ("Shanghai Hospital") is expected to become operational in January 2026, where we plan to establish a proton therapy center with one set of proton therapy equipment and four treatment rooms. We expect to commence operation for the proton therapy center in Shanghai Hospital in 2027.

Under our medical equipment, software and related services, we serve a widespread network of enterprise customers, primarily including our partnered hospitals, other medical institutions and medical enterprises, as well as distributors, especially in lower-tier cities outside the footprint of our self-owned facilities, with our integrated oncology-related solution named CSS to holistically and gradually encompass all the aspects of our medical equipment, software and related services on cloud platforms. Our CSS services evolved with our technological development and the business demands of our enterprise customers over the years. In particular, we supply enterprise customers with a comprehensive portfolio of advanced medical equipment and associated medical consumables required to support the setup or upgrade of their radiation therapy or diagnostic imaging departments. We also provide management and technical support on the oncology medical equipment leased or procured from us with respect to equipment operation, clinical practice and quality control protocols, medical professional training, and academic research. As an integral part under our medical equipment, software and related services, we provide equipment leasing and comprehensive support services to our partnered hospitals by entering into an operating lease agreement, and sometimes together with a comprehensive support agreement which are either service-only in nature or as part of our full-spectrum solution services. Furthermore, we have integrated our online and offline medical resources into cloud platforms to provide various cloud-based services, which enables remote services to hospitals.

Our enterprise customers are free to choose the entire package or individual modules of our services based on their needs to serve their patients, including primarily digitalized processing of diagnostic imaging results; remote consultation, radiation modeling, therapy customization and quality control; supply-chain management; and joint research, training and technological support. We launched Jiahe Yunying Remote Imaging Information Diagnosis Platform (嘉和雲影遠程醫療信息診斷平台) in December 2020, and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform (嘉和飛雲智能放療雲服務平台) in September 2021, which focus on the efficiency and efficacy of cancer treatment. In addition to our cloud platforms used for healthcare services, we have also launched Jiahe Cloud Asset Management Platform (嘉和雲資產管理平台) in June 2021, an integrated cloud platform to provide a one-stop shop in addressing the evolving operational demands of our enterprise customers. We jointly developed such three cloud platforms with third party IT companies. We were mainly responsible for the core system design and the third party IT companies were mainly responsible for coding work to achieve our system design.

We participate in the formulation of several national radiation therapy industry standards. In February 2022 and June 2023, we were chosen by the National Cancer Center of China (國家癌症中心) to be an editor for the formulation of the 2021 version and 2023 version of the National Standard of Radiation Therapy Quality Control Guidelines (國家腫瘤質控中心放療質控指南). We have, accordingly, initiated three national standard formulation projects to develop Radiation Therapy Data Validation Quality Control Practice Guidelines (放射治療數據審核質量保證實踐指南), Development Guidelines for the 5G-based Remote Radiation Therapy Plan Design, Implementation and Quality Control Platform (基於5G 的遠程放療計劃設計、實施與質控平台建設指南) and Practice Guidelines for Total Skin (E-beam) Irradiation Technology (全皮膚(電子束)照射技術實踐指南).

Our revenue increased significantly from RMB166.3 million in 2020 to RMB470.5 million in 2021. Our revenue increased by 0.4% from RMB470.5 million in 2021 to RMB472.2 million in 2022. Our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the six months ended June 30, 2023. We recorded gross profit of RMB7.4 million in 2020, and incurred gross loss of RMB47.1 million, RMB142.6 million, RMB86.4 million and RMB35.0 million in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. We recorded adjusted net loss (non-HKFRS measure) of RMB318.7 million, RMB487.6 million, RMB471.2 million, RMB250.1 million and RMB214.0 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. See "Financial Information—Non-HKFRS Measure" for a reconciliation of our net loss to adjusted net loss (non-HKFRS measure).

## COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors.

### Oncology healthcare service provider in China featuring patient-oriented cancer care and precision radiation therapy

We are an oncology healthcare service provider featuring precision radiation therapy in China, serving both cancer patients and third-party medical institutions. Among all the private oncology healthcare groups in China, we ranked No.2 as measured by the number of self-owned or managed healthcare institutions in China as of December 31, 2022 and No.2 as measured by the revenue of cancer treatment support service in China in 2022, according to the F&S Report. We are a private oncology healthcare service provider in China, with a market share of 0.5% in terms of revenue in 2022, according to the same source. As of the Latest Practicable Date, we had six self-owned medical institutions in operation, including two cancer hospitals, three outpatient centers or clinic and one imaging diagnosis center, and the Internet Hospital, in China. We also had one additional cancer hospital under construction in China, as of the same date. In addition, we provided various onsite and remote oncology-related diagnosis, treatment, consultation, supply-chain management and technical support services to 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. In particular, as of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease.

China's oncology healthcare service is in the early stages of development, with varied levels of sophistication and standard in cancer diagnosis, treatment and management, relative to more mature markets globally, including the United States, according to the F&S Report. Uniform standard of care and advanced methodologies, such as MDT and precision radiation therapy, are sporadically implemented in China, which leaves significant room for improvement in treatment quality, according to the same source. As a result of these challenges, the five-year survival rate was approximately 40.5% for all cancer types combined in China, as compared to approximately 67.7% in the United States, according to the F&S Report. Driven, in part, by the economic development and consumption upgrading in China, the demand for patient-oriented cancer care for improved quality of life has significantly increased. The revenue of private oncology healthcare institutions in China increased from RMB18.9 billion in 2016 to RMB53.0 billion in 2022, at a CAGR of 18.7%, and is expected to reach RMB109.2 billion in 2026, at a CAGR of 19.8% from 2022 to 2026, according the F&S Report. We believe that we are well positioned to capture the market growth, leveraging our MDT specialists, robust diagnosis, and accumulated healthcare resources within our network of enterprise customers.

Our patient-oriented medical care and advanced medical technology are the key drivers of our achievements. Leveraging our strategic collaboration with world-leading medical institutions, we have gained rich resources of operational techniques, medical technology, and clinical experience in cancer care. We have consistently implemented the internationally leading standard of care benchmarked to the clinical practice guidelines of the National Comprehensive Cancer Network (the "NCCN") and the diagnosis and treatment guidelines of the Chinese Society of Clinical Oncology ("CSCO"), following a patient-oriented MDT approach. We offer each patient MDT consultations with a team of healthcare professionals, comprising physicians, pharmacists, therapists, and nursing staff from different treatment departments, with clear responsibility of allocation and time commitment requirements. Rather than providing traditional sequential treatment where patients undergo consecutive consultations from different medical departments, our full-time MDT team jointly customize the most suitable comprehensive treatment plan and recovery support to address the needs of individual patients at each stage of their diagnosis and treatment process.

**Diagnosis and treatment capability supported by our collaboration with medical institutions and equipment manufacturers**

We have gained rich resources of medical technology, operational techniques and clinical experience in cancer diagnosis and treatment through our collaboration with world-leading medical institutions and equipment manufacturers in China and worldwide. These strategic collaborations were established with world-renowned medical institutions, such as The University of Texas MD Anderson Cancer Center ("MD Anderson") and Mayo Foundation for Medical Education and Research ("Mayo Clinic"), and pre-eminent medical equipment manufacturers. See "—Collaboration Arrangements."

Since 2015, we have been benefiting from the longstanding strategic collaboration between Concord Medical and MD Anderson, one of the best-known cancer treatment centers globally and the largest cancer center in the United States. MD Anderson has been providing our medical institutions with comprehensive consultation and support in various aspects, including, among others, clinical practice development, cancer center development, medical direction, physician and staff training, as well as research, strategic and business support. Our medical institutions have learned from MD Anderson's expertise in cutting-edge cancer treatment, and the associated quality control protocols and methodologies, such as their MDT practice guideline.

We have also gained significant expertise and experience from our strategic collaboration with Mayo Clinic, which ranked No.1 on the Best Hospitals Honor Roll in terms of comprehensive treatment outcomes by the U.S. News & World Report in 2021, to bring world-class patient care standard and hospital management practice to our medical institutions. In particular, Guangzhou Hospital has acted as one of the recognized referral facilitators for Mayo Clinic, to eliminate barriers and promote access to world-class health care. Pursuant to the arrangement, Mayo Clinic has provided us with comprehensive support in patient care, talent training, medical record management and patient experience improvement. As a result of our strategic collaboration, Guangzhou Hospital has formulated a set of commensurate service standards with those of Mayo Clinic, covering our clinical protocols, operational procedures, MDT approach, patient management plans, hospital management and equipment quality measures.

Benefiting from the multi-dimensional support of world-renowned medical institutions from all key aspects, we have achieved pre-eminent service capability in cancer care with the overarching goal of improving patient care and treatment efficacy and uplifting the life quality of our patients. For instance, our medical institutions have the capability of performing complex breast-conserving surgeries and prescribing refined post-surgery care plans to maintain a breast cancer patient's bodily appearance, dignity and outlook on life. While breast cancer has the highest incurrence rate among all cancers for female patients in China, breast-conserving surgery was adopted in less than 20% of all removal surgery for breast cancer in Class III Grade A hospitals in China in 2022, as compared to approximately 60% and 80% in the United States and Europe, respectively, according to the F&S Report. Correspondingly, the five-year survival rate of breast cancer is 82.0% in China, as compared to 90.3% in the United States, according to the same source. The less invasive breast-conserving surgery, compared to total removal of a breast, often requires MDT collaboration and advanced technologies, which is challenging for most hospitals in China. In September 2021, our medical professionals at Guangzhou Hospital completed a highly complex operation of DIEP breast reconstruction surgery for a female breast cancer patient who had failed both-side mastectomy, for which only a few hospitals in China have the capability to perform.

Our long-term collaboration with internationally renowned medical equipment suppliers ensures the deployment of advanced cancer diagnosis and treatment equipment at our disposal, which is the backbone of effective cancer care. In addition, we have also customized our cloud platforms for our enterprise customers to ensure the cohesion with the various brands of medical equipment and their operating systems. For instance, our Jiahe Yunying Remote Imaging Information Diagnosis Platform can be deployed seamlessly within the system maintained at our enterprise customers to facilitate the operation of imaging equipment. We have expanded the footprint of our remote diagnosis and treatment services by offering enterprise customers integrated management and technical support. As a result, we can leverage our long-term collaboration and established mutual trust with our supplier partners and translate them into stronger bargaining power in promoting our medical equipment, software and related services.

**Self-owned medical institutions strategically located in economically developed regions in China**

We have deployed seven offline self-owned medical institutions strategically located in select densely populated cities in China, such as Guangzhou, Shanghai and Datong, through organic growth, strategic collaboration and acquisitions. The geographical focus of our offline self-owned medical institutions reflects the high population density and the advanced economic development in the Greater Bay Area, the Yangtze River Delta, and the North China regions to maximize the geographical coverage of patient base. For instance, in 2022, more than 50% of the patients at Shanghai Outpatient Center came from the broader Yangtze River Delta region outside Shanghai. Guangzhou Hospital is situated in a prime location in the Greater Bay Area, covering a broad patient base from the adjacent regions. We believe we can leverage the strategic location of our self-owned medical institutions to broaden the geographical coverage of our patient base and generate greater returns.

We have strategically designed differentiated disciplinary features for our medical institutions, considering the various types of cancer incidence in the local regions and the service shortage of the local medical institutions. For instance, Guangzhou Hospital has strong disciplinary focuses on breast cancer and NPC, which are prevalent in Guangdong province, while Shanghai Hospital focuses on gastrointestinal cancer to differentiate their disciplinary development along with the relative local prevalence of patients. Additionally, we have also adopted an MDT approach in our medical institutions to attend to individual patient needs, which distinguishes us from the conventional cancer treatment approach which typically sends patients to a designated medical department based on diagnosis. For instance, for breast cancer patients, our MDT approach integrates the full resources at our disposal, such as diagnosis, anesthesiology, critical care medicine and internal oncology, to formulate a suitable treatment plan, optimize the treatment efficacy, and provide well-rounded support during the entire care continuum. To this end, we assign our medical professionals to different roles along the service process based on their specialties, which allows us to deliver satisfactory patient experience at each key junction of the cancer-fighting journey, from the initial visit, diagnosis and treatment to post-treatment health management. Furthermore, we also leverage multi-site practice physicians from renowned private and public hospitals to provide cancer care at our institutions to enhance the breadth of our services and the reputation of our practice.

We have adopted consistent operational standards in our self-owned medical institutions, with the proven expertise and experience gained from our collaboration with world-leading medical institutions, to provide high-quality cancer care. For radiation therapy equipment, we independently perform the key procedures from procurement to installation, and from maintenance to operational trainings. To ensure the precise and effective radiation therapy treatment, we have established a comprehensive system of carefully designed operation protocols and medical procedures, with reference to the internationally leading clinical practice guidelines. We have also established stringent quality management and risk control standards to safeguard patient well-being and ensure treatment efficacy, commensurate with the world-class clinical practice.

**Network of enterprise customers served with our integrated oncology-related services**

We have developed an asset-light business model with our cloud platforms to provide our enterprise customers, especially those in lower-tier cities outside the footprint of our self-owned facilities, with cloud-based B2B2C services, including primarily digitalized processing of diagnostic imaging results; remote consultation, radiation modeling, therapy customization and quality control; supply-chain management and operational support; and joint research, training and technological support. We launched Jiahe Yunying Remote Imaging Information Diagnosis Platform in December 2020 and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform in September 2021, as integral components to our cloud platforms which focus on the efficiency and efficacy of cancer diagnosis and treatment. Our cloud platforms serve to improve the quality of oncology healthcare in lower-tier cities and alleviate the uneven distribution of critical healthcare resources in China. Through our cloud platforms, we have introduced to our enterprise customers abundant medical practice experience and quality control standards that we accumulated over the years. As a result of our accomplishments, in August 2021, our Jiahe Yunying Remote Imaging Information Diagnosis Platform and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform were shortlisted for 5G+ Medical and Health Application Pilot Project List (5G+醫療健康應用試點項目名單) organized by the MIIT and the NHC in China. Designed to be highly replicable and scalable in nature, our cloud platforms serve to maximize the geographical coverage of our medical resources and service capability to reach more patients.

We also offer integrated oncology-related services, which include primarily sales and installing of medical equipment and software, management and technical support, and operating lease, to a widespread network of enterprise customers. We provide customized supply-chain management services, which cover various key aspects in hospital management, such as equipment selection and supply, installation and maintenance, technical training and operational guidance. We also offer medical technology support, primarily including joint scientific research projects, medical professional training, and clinical consultation, to enhance the overall medical capability of our enterprise customers. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we served 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services, respectively. In particular, as of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease. We continuously expand our integrated oncology-related services and gradually switch our service coverage to our Jiahe Cloud Asset Management Platform, to provide a one-stop shop in addressing the evolving demands of our partnered hospitals and other enterprise customers.

**Medical technology, equipment, and professionals in precision radiation therapy and cancer diagnosis**

We have developed medical technology in precision radiation therapy as well as diagnostic pathology and imaging, which has formed a technological barrier for competitors. We are among a handful of oncology healthcare groups that are early adopters of precision radiation therapy in China, according to the F&S Report. We provide advanced precision radiation therapy treatment to cancer patients, leveraging our rich resources of operational techniques, medical technology, clinical experience, and medical professionals.

Our medical institutions provide a full set of diagnostic imaging and diagnostic pathology services, leveraging international advanced technologies and know-how. With the application of advanced diagnostic imaging technologies, including computed tomography, high-resolution MRI, PET/CT and image fusion technology, we have achieved precise target delineation which distinguishes the border of the tumor more accurately from adjacent structures. In addition, we utilize a variety of laboratory equipment for the preparation and analysis of pathological samples to increase the accuracy of pathological test results. As of June 30, 2023, we owned 133 sets of medical equipment for oncology diagnosis and laboratory tests, accompanied by 25 pathology experts and 57 imaging diagnosis experts.

Based on our diagnostic imaging results, we have also applied cutting-edge precision radiation therapy treatment technologies, including IMRT, IGRT, VMAT, SRT and after-load radiation therapy technologies, which enables us to sculpt the radiation dose to the target volume around complex body structures. As of June 30, 2023, we owned or managed 18 sets of precision radiation therapy equipment in our self-owned medical institutions and partnered hospitals. To ensure the precise and effective radiation therapy treatment, we have established a comprehensive system of carefully designed procedures and quality control measures.

We continuously solidify market leadership in radiation therapy in China through both internally initiated research projects of national standards and external collaborations with top medical institutions, research institutes and medical equipment manufacturers in China and worldwide. We engage in various medical research activities to train our medical professionals, strengthen our radiation therapy expertise, and participate in formulating the national industry standards. In June 2020, our internally-formulated Practice Guideline for Total Body Irradiation Technology (全身照射技術實踐指南) was approved by the National Cancer Center of China (國家癌症中心) as the 2019 Radiation Therapy Quality Control Guidelines (2019年國家腫瘤質控中心放療質控指南), which was the first approved project hosted by a private medical institution in China. For the formulation of the 2021 version and 2023 version of National Standard of Radiation Therapy Quality Control Guidelines (國家腫瘤質控中心放療質控指南), we have also been one of the editors since February 2022 and June 2023, respectively, with our three research projects, Radiation Therapy Data Validation Quality Control Practice Guidelines (放射治療數據審核質量保證實踐指南), Development Guidelines for the 5G-based Remote Radiation Therapy Plan Design, Implementation and Quality Control Platform (基於5G的遠程放療計劃設計、實施與質控平台建設指南) and Practice Guidelines for Total Skin (E-beam) Irradiation Technology (全皮膚(電子束)照射技術實踐指南). Our participation in formulating the national standards, especially in the area of remote radiation therapy, is expected to drive the expansion of our network of partnered hospitals and improve the radiation treatment efficacy of numerous medical institutions in lower-tier cities. In addition, Guangzhou Hospital participated in the formulation of two sets of national ecological environment standards to standardize the industrial requirements of radiation therapy, including the 2021 Requirements of Radiation Safety and Protection for Radiotherapy (放射治療輻射安全與防護要求(HJ1198-2021)), which was effective in December 2021. Furthermore, we have established various research facilities, such as the Proton and Heavy Ion Research Center in collaboration with Soochow University, to support our academic and clinical research.

We have also gained wide recognition for our academic accomplishments in diagnostic pathology and diagnostic imaging. Guangzhou Hospital is the founding institution of the Society of Tumor Microenvironment, China Anti-Cancer Association (中國抗癌協會腫瘤微環境專業委員會). Furthermore, we have implemented internal and external trainings designed to cultivate top-notch radiation therapy physicians. As a result of our grooming efforts, in September 2021, three of our young physicians attained favorable rankings in the 2021 National Radiation Oncology Target Delineation Competition (2021年放射腫瘤學全國靶區勾畫爭霸賽) organized by China Society for Radiation Oncology (中華醫學會放射腫瘤治療學分會).

**Medical professionals and visionary management team**

We have a professional oncology healthcare team, which we believe is crucial to our success and market leadership. As of June 30, 2023, our medical professional team consisted of (1) 89 physicians practicing at our medical institution; (2) 168 professional nurses and caretaking staff; and (3) 185 other medical professionals (including primarily pharmacists, physicists, radiologists, technicians and medical supporting staff). Our team of medical professionals is led by several experts with in-depth international exposure and experience in cancer research and clinical practices, such as (1) Professor QIAN Chaonan, dean of Guangzhou Hospital, who received post-doctoral training at MD Anderson and Van Andel Research Institute and was appointed by the NHC as the Strategic Planning Research Expert of Healthy China 2020 program; and (2) Professor FU Shen, chief radiation therapy expert of our Company, who previously served as a member of the Academic Committee of the Proton

Center of MD Anderson and led several scientific projects at the frontline of proton therapy research and application.

We believe that our success is also attributable to our experienced management team, with broad medical and management experience. Our core management team and technical team members have worked collaboratively for more than 15 years, accumulating deep insights of China's oncology healthcare service industry and rich industry knowledge and experience in a wide range of relevant fields, covering medical technology development, sales and marketing, finance and operations. Our founder, Dr. Yang, our executive Director, chairman of the Board of Directors and controlling shareholder, has over 15 years of experience in healthcare service industry and over 20 years of experience in business management. Ms. FU Xiao, our Executive Director and president, has over 25 years of experience in hospital management and oncology healthcare service industry. We are confident that under the continued leadership of our experienced management, we are well-positioned to stay abreast of the ever-evolving oncology healthcare industry.

## GROWTH STRATEGIES

We intend to pursue the following strategies to further grow our business.

### Advance the clinical application of our proton therapy equipment and construction of complementary facilities

We will continue to promote the development and clinical trial progress of our self-owned proton therapy equipment together with the construction of complementary facilities to provide cutting-edge proton therapy services and broaden our patient base in the surrounding regions, such as the Greater Bay Area and the Yangtze River Delta regions. In addition to the proton center of Guangzhou Hospital, which has completed construction, we expect to complete the construction of the proton center of Shanghai Hospital and the installment and commissioning of the proton equipment in 2026. We are preparing for the application of Class A large-scale medical equipment configuration license for our proton equipment at the proton center of Guangzhou Hospital. We will also accelerate clinical commissioning and application of relevant proton equipment, which we believe will become the flagship treatment option of our oncology healthcare services at these facilities to attract patients. Specifically, we have commenced the clinical trial for our proton therapy equipment in the proton center of Guangzhou Hospital in November 2022. We also plan to conduct complementary proton therapy scientific research, patient education and inter-hospital cooperation. Leveraging our advantageous medical technology and geographical locations, we intend to reinforce our presence in first-tier cities by establishing and improving our proton therapy service capability. See "—Our Future Expansion."

### Expand our medical institutions

We plan to continue to expand our medical institutions in first-tier cities in China, especially Shanghai and Guangzhou, in collaboration with top medical institutions in China and worldwide. Leveraging our collaboration with prestigious international medical institutions, we have gained abundant operational expertise and guidance in combination with our extensive industry experience in China's local oncology healthcare service market on the development of clinical practice programs and cancer center programs to facilitate the expansion of our medical institutions. Specifically, in Shanghai, as of the Latest Practicable Date, Shanghai Hospital was under construction and scheduled to open in January 2026. We also expect to deepen our strategic collaboration with top domestic public hospitals to expand our hospital capacity. We plan to commence the construction of the phase II expansion to Guangzhou Hospital in 2026. See "—Our Future Expansion." We will continuously introduce advanced medical technology, operational techniques and clinical practices into our existing and newly constructed medical institutions. For instance, we will implement advanced clinical practices, such as the MDT approach, into our new facilities, and initiate public welfare programs to provide special assistance for patients in need and expand our services beyond the traditional cancer treatment practice. We will also refine our clinical practice based on geographical market conditions, develop specialized treatment technologies for localized cancers, such as NPC and lung cancer. Furthermore, in light of the growing trends in the consumption upgrade in China over the recent years, we also plan to offer premium, bespoke services that to address more diversified patient needs, which are scarcely available in public hospitals, according to the F&S Report.

Alongside the launch of our newly constructed hospitals and proton centers, we plan to implement marketing and promotional campaigns to increase our mindshare and boost our brand awareness. Adhering to our aspiration to become a most trusted partner of hospitals, physicians and patients, we intend to adopt effective strategies to educate the general public and patients of the advantages, capability and availability of high-quality, patient-oriented cancer diagnosis and treatment services we provide. To this end, we intend to engage external marketing consultants, organize or attend industrial or academic expositions or forums, and expand social media exposures.

**Upgrade our CSS services with cloud platforms to expand our business scale and cultivate SaaS business model**

We plan to continue to upgrade our cloud platforms to provide more medical institutions with our CSS services. We plan to continue to explore the business model of online-merge-offline integration as supported by our brick-and-mortar fronts of our self-owned medical institutions. Specifically, we will leverage our established network of partnered hospitals and promote our cloud-based remote oncology healthcare, supply-chain management and comprehensive technical support services across China, especially lower-tier cities.

In addition, we will continue to expand our asset-light business model under our medical equipment, software and related services by upgrading our present cloud platforms based on customer demands through technological innovation and added service functionalities to our integrated cloud platforms. Specifically, we will provide an updated suite of cancer diagnosis and treatment solutions to our partnered hospitals through our cloud platforms for full cycle oncology healthcare management services to patients. In addition, we plan to cultivate our SaaS business model based on our cloud platforms. We will continue to develop our cloud asset management SaaS product to improve the operational efficiency of our enterprise customers. Meanwhile, we will continue to accelerate the NMPA registration process and commercialization of our AI-assisted diagnosis SaaS product and develop our remote medical quality SaaS product. We aim to provide enterprise customers with integrated SaaS-based application solutions.

As our cloud platforms continue to evolve, we expect to connect our pre-eminent oncology diagnosis and treatment services with more medical institutions and patients in lower-tier cities, which will also allow us to enhance our brand awareness. We also plan to recruit more medical professionals and cloud technological staff to enrich our service and development capabilities. We will also continue to carry out SaaS-related research, development, application and promotion, to launch more SaaS products and reach more customers. We believe that developing our cloud platforms would drive the synergistic consolidation of our service portfolio and solidify our market leadership.

**Broaden our service portfolio and patient touchpoints through our Internet Hospital**

We plan to continuously expand our service portfolio and patient touchpoints through our Internet Hospital. We plan to attract more physicians and partnered hospitals to our Internet Hospital, with our online oncology-related MDT consultation services, to provide customized health management service for users. We expect to integrate the online and offline medical resources from multiple treatment departments throughout our self-owned medical institutions and the network of our partnered hospitals to provide telemedicine services covering the entire process of cancer care from screening to diagnosis and from treatment to post-treatment health management. Additionally, we plan to develop oncology medical insurance products in collaboration with commercial insurance companies.

We will also expand the service scope and capability at our Internet Hospital. For instance, we will consider bringing early-stage cancer screening, genetic testing and diagnostic pathology services online, in collaboration with third-party vendors, such as genetic testing companies, who may offer their services directly to our Internet Hospital users. We plan to develop online recovery and health management services at our Internet Hospital in collaboration with cancer rehabilitation clinics to meet the full cycle demands of cancer patients. We also plan to enhance the service capacity and professional resources available at our self-owned medical institutions by providing more training sessions to our medical professionals and supporting staff, which will serve as an offline hub to complement the online oncology healthcare services provided at our Internet Hospital. In addition, we expect to collaborate with more partnered hospitals so that their physicians can provide services through our Internet Hospital.

**Accelerate the conversion of scientific research and training achievements into clinical application**

We have initiated research projects aimed for our future development and commercialization. We will focus on the clinical research of tumor microenvironment and immunotherapy and accelerate the clinical application of research projects with significant potential in commercialization value, such as clinical trial of the proton therapy equipment for the treatment of locally recurrent NPC. Additionally, we will also continue to study fundamental medical theory and technology on subjects, such as accurate measurement of low-energy ion LET spectrum based on microbeam and correction of heavy ion Bragg peak trailing edge biological dose model. Furthermore, we expect to further promote the research and clinical application of proton technology by deepening our strategic collaboration with renowned medical institutions and universities in China. We also plan to introduce new projects into our pipeline of research and clinical application, including molecular diagnosis methods and cell therapy and AI-enabled medical diagnostic imaging system. Specifically, we have established a joint laboratory of medical intelligence application in collaboration with an AI research institute for the development of, among others, the algorithms and models of the medical diagnostic imaging system aiming to achieve commercialization. To better support our planned scientific research projects, we will increase the capital investment in expanding the floor area of our laboratory and upgrading the scientific experiment equipment of our Meizhong Jiahe Science and Technology Innovation Center. We also plan to deploy a technology service platform with the ability of digitalized research project management to increase our research efficiency. In addition, we plan to hire external counsel with the expertise of IP management and medical technology consultation to provide professional protection and support for our research achievements.

Aligned with our research and development strategy, we plan to cultivate young talents and enrich our pool of medical professionals through joint research projects in collaboration with medical institutions. We will also build an in-hospital medical training system with a focus on cutting-edge radiation therapies, especially proton therapy and heavy ion therapy. Drawing on our comprehensive collaboration with world-leading medical institutions and attractive incentive packages, we will continue to attract accomplished researchers to our Meizhong Jiahe Science and Technology Innovation Center and distinguished physicians to our medical institutions, which will allow us to continuously enrich our research projects and improve our research and service capabilities in cancer diagnosis and treatment.

## OUR BUSINESS MODEL

We provide a full cycle of premium oncology healthcare services including screening, diagnosis, treatment and post-treatment health management to patients through our self-owned private for-profit medical institutions. As of the Latest Practicable Date, we owned six offline medical institutions in operation, strategically covering major economic zones in China, including Guangzhou Hospital and Guangzhou Outpatient Center in the Greater Bay Area, Shanghai Outpatient Center, Shanghai GP Clinic and Shanghai Imaging Center in the Yangtze River Delta region, and Datong Hospital in the North China region. We were also in the process of constructing one additional cancer hospital, Shanghai Hospital, as of the same date. We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our self-owned medical institutions recorded 27,713, 50,622, 63,119, 25,189 and 41,810 outpatient visits, respectively, and 491, 778, 2,999, 1,282 and 1,757 inpatient visits, respectively. The numbers of outpatient visits and inpatient visits for our medical institutions reached 68,437 and 3,085 in the ten months ended October 31, 2023, respectively. We have launched our Internet Hospital, as a one-stop portal to connect cancer patients with comprehensive healthcare resources and attracting patients to our offline medical institutions. Our Internet Hospital provides primarily remote hospital appointment, diagnostic interpretation, MDT consultation, post-treatment health management and oncology-related guidance, through which we strive to provide comprehensive and targeted healthcare services to meet the evolving patient demands in China.

We have developed an asset-light business model under our medical equipment, software and related services to serve enterprise customers and target hospitals as our end customers, especially those in lower-tier cities beyond the reach of our self-owned facilities. We provide enterprise customers with integrated oncology-related services, including primarily sales and installing of medical equipment and software, management and technical support, and operating lease. Our partnered hospitals represent the hospitals that we provide comprehensive service to under our arrangements of operating lease, management and technical support. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we served 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services, respectively. In particular, as of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease.

To further expand our services to a broader patient base and increase the oncology healthcare capability of our network, we have integrated our online and offline medical resources into our cloud platforms to offer various cloud-based services, including primarily digitalized processing of diagnostic imaging results; remote consultation, radiation modeling, therapy customization and quality control; supply-chain management; and joint research, training and technical support. Our cloud platforms serve to improve the quality of oncology healthcare in lower-tier cities and alleviate the uneven distribution of critical healthcare resources in China. Specifically, we launched Jiahe Yunying Remote Imaging Information Diagnosis Platform in December 2020 and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform in September 2021, as integral components to our cloud platforms which focus on the efficiency and efficacy of cancer diagnosis and treatment.

The following map illustrates the geographic coverage for our self-owned medical institutions in operation and partnered hospitals as of June 30, 2023.


(1) The map is for illustration purpose only. Due to the size and layout of this page, the scale, proportion and details of the map may not be sufficiently precise as that published by the PRC government. If any difference exists, please visit the official website of the Ministry of Natural Resources of PRC for your reference (http://bzdt.ch.mnr.gov.cn/).

As illustrated by the map above, as of June 30, 2023, our partnered hospitals locate in Heilongjiang province, Liaoning province, Inner Mongolia Autonomous Region, Shandong province, Henan province, Hubei province, Sichuan province, Jiangsu province, Zhejiang province, Fujian province and Guangdong province, and thus our partnered hospitals are not concentered in any certain area in China.

The following table sets forth our revenue by business segment for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | | | | |
| | | | | | | | (Unaudited) | | | |
| **Hospital business** | **83,514** | **50.2** | **161,175** | **34.3** | **218,392** | **46.3** | **82,975** | **57.7** | **159,257** | **55.8** |
| Medical institutions | 83,514 | 50.2 | 161,175 | 34.3 | 218,392 | 46.3 | 82,975 | 57.7 | 159,257 | 55.8 |
| - Guangzhou Hospital(1) | — | — | 11,514 | 2.5 | 102,789 | 21.8 | 40,215 | 28.0 | 71,118 | 24.9 |
| - Guangzhou Outpatient Center | 75 | 0.0 | 1,610 | 0.3 | 7,856 | 1.7 | 3,983 | 2.8 | 1,670 | 0.6 |
| - Shanghai Outpatient Center | 53,247 | 32.0 | 87,702 | 18.7 | 58,264 | 12.3 | 20,367 | 14.2 | 45,671 | 16.0 |
| - Shanghai Imaging Center | 20,072 | 12.1 | 38,655 | 8.2 | 31,105 | 6.6 | 8,639 | 6.0 | 33,365 | 11.7 |
| - Shanghai GP Clinic | — | — | 1,044 | 0.2 | 767 | 0.2 | 292 | 0.2 | 912 | 0.3 |
| - Datong Hospital | 10,121 | 6.1 | 14,240 | 3.0 | 12,705 | 2.7 | 7,641 | 5.3 | 4,752 | 1.7 |
| - Datong Clinic(2) | — | — | 285 | 0.1 | 112 | 0.0 | 107 | 0.1 | — | — |
| - Internet Hospital | — | — | 6,126 | 1.3 | 4,794 | 1.0 | 1,731 | 1.2 | 1,769 | 0.6 |
| **Medical equipment, software and related services** | **82,807** | **49.8** | **309,330** | **65.7** | **253,778** | **53.7** | **60,835** | **42.3** | **125,922** | **44.2** |
| Sales and installing of medical equipment and software | 26,129 | 15.7 | 217,568 | 46.2 | 179,152 | 37.9 | 27,120 | 18.9 | 104,301 | 36.6 |
| Management and technical support | 37,156 | 22.3 | 64,599 | 13.7 | 53,109 | 11.2 | 22,477 | 15.6 | 12,028 | 4.2 |
| Operating lease | 19,522 | 11.8 | 27,163 | 5.8 | 21,517 | 4.6 | 11,238 | 7.8 | 9,593 | 3.4 |
| **Total** | **166,321** | **100.0** | **470,505** | **100.0** | **472,170** | **100.0** | **143,810** | **100.0** | **285,179** | **100.0** |

(1) Include revenue generated from the provision of COVID-19 testing service of RMB36,000, RMB465,000, RMB167,000 and RMB5,000 in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

(2) We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023.

### Synergies among Our Business Segments

We started our business by providing management and technical support services to hospitals in China. Leveraging our valuable industry expertise and resources accumulated along the way, we developed our hospital business through acquisition, establishment and operation of our self-owned medical institutions.

Our two business segments work in tandem with each other. On the one hand, our medical equipment, software and related services benefits our hospital business in the following major aspects.

- *Enhanced clinical practice expertise*. Through our B2B2C services to partnered hospitals for their patients, we obtain first-hand knowledge from dealing with various complicated patient cases and their medical demands, improving our clinical practice expertise in our hospital business.
- *Improved brand recognition with enlarged patient base*. Leveraging our brand reputation enhanced through our medical equipment, software and related services, our self-owned medical institutions may acquire patients seeking more advanced treatment, after such patients experiencing services at our partnered hospitals. Specifically, we have established our brand image as an oncology healthcare service provider with cancer diagnosis and treatment capabilities among patients of our partnered hospitals through the provision of remote cancer diagnosis, consultation and management services to the partnered hospitals in lower-tier cities. With growing brand recognition among patients of our partnered hospitals, our self-owned medical institutions may also acquire more patients.

On the other hand, our hospital business benefits our medical equipment, software and related services in the following major aspects.

- *Sophisticated operation know-how for medical equipment operation and clinical practice*. Our know-how of medical equipment operation and clinical practice, accumulated through our operation of self-owned medical institutions, enhanced our capability in providing related medical equipment and software as well as management and technical support services to our partnered hospitals and other enterprise customers. Specifically, we have accumulated know-how of medical equipment operation and clinical practice through our operation of self-owned medical institutions which primarily focus on providing oncology healthcare service. Accordingly, we are experienced in understanding our partnered hospitals' specific demands in medical equipment operation and clinical practice, and providing appropriate advices on medical equipment and clinical practice, especially for their needs in establishing or developing oncology healthcare service.

- *Remote services for cloud platform*. For our remote services provided through cloud platforms, we improve partnered hospitals' oncology healthcare service capability by introducing our technologies and experience accumulated through our operation of self-owned medical institutions. Notably, our Jiahe Yunying Remote Imaging Information Diagnosis Platform and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform were shortlisted for 5G+ medical and health application pilot projects in the 5G+ Medical and Health Application Pilot Project List (5G+醫療健康應用試點項目名單) announced by the MIIT in August 2021.

There is also synergistic effect among different sub-segments under our medical equipment, software and related services. Through various service segments, we seek to not only equip partnered hospitals with advanced medical equipment, but also assist them in achieving well-rounded development on medical technology and operational management. As part of our cross-selling strategy, we provide management and technical support on their oncology medical equipment procured from us under our sales and installing of medical equipment and software business or leased from us under our operating lease arrangements. We also deploy our cloud platforms based on our established connections with such partnered hospitals. Our cloud platforms are designed to integrate our online and offline medical resources accumulated through the operation of our medical equipment, software and related services to further increase the oncology healthcare capability of our network.

**Our Value Propositions**

Our versatile capabilities to cater for key stakeholders along the oncology healthcare value chain have been contributing to the level of professionalism and efficiency in the industry. In particular, through our two-pronged business model, we serve patients in their entire oncology healthcare journey, and support other relevant stakeholders in the oncology healthcare system, such as hospitals, other medical institutions, and medical professionals.

***Value Proposition to Patients***

- *Premium oncology healthcare services*. Through our self-owned medical institutions, we provide premium oncology healthcare services to cover the entire process of cancer care spanning over cancer screening, diagnosis, treatment and post-treatment health management for patients. We have adopted unified operational standards implemented by our MDT experts and established stringent quality management and risk control standards to safeguard patient well-being.
- *Remote oncology healthcare services with increased availability*. Through our cloud platforms, we also collaborate with other medical institutions to offer remote oncology imaging and diagnosis consultation services to patients beyond the reach of our owned facilities.

***Value Proposition to Hospitals and Other Medical Institutions***

- *Supply of high-quality equipment and services*. Through our medical equipment, software and related services, we seek to equip hospitals and other medical institutions with radiation therapy and diagnostic imaging operational capabilities by supplying a comprehensive portfolio of advanced medical equipment and associated medical consumables. We also assist them in achieving well-rounded development on medical technology and operational management by providing comprehensive support services.
- *Enhanced treatment efficacy*. We provide remote services through our cloud platforms to improve treatment efficacy of hospitals and other medical institutions in lower-tier cities.

***Value Proposition to Medical Professionals***

- *Improved medical expertise*. Medical professionals outside of our self-owned medical institutions benefit from our services provided to partnered hospitals, including primarily practice protocols formation and consultation, diagnosis and treatment process design, remote consultation, and quality control, which assist in improving their overall medical expertise. Furthermore, we engage in various medical research and academic activities in the oncology healthcare service industry, contributing to medical advancements of our peer medical professionals.

***Value Proposition to the Society***

- *Addressing unmet healthcare demands*. In harmony with the governmental policies encouraging social forces to focus on specialized medical services, we have been dedicated to addressing the unmet oncology healthcare demand in China through our growing hospital business as well as equipping other medical institutions with advanced equipment and improved operational efficiency through our medical equipment, software and related services.
- *Alleviating uneven resource distribution*. Through our cloud platforms and online oncology imaging and radiation therapy services, we contribute to the hierarchical diagnosis and treatment system in China by increasing the oncology healthcare resources available in lower-tier cities in China. Furthermore, our participation in formulating the national standards, especially in the area of remote radiation therapy, is expected to enhance the radiation treatment efficacy of numerous medical institutions in China, therefore improving the level of medical service capacity and quality in areas with scarce medical resources in response to the 14th Five-Year Plan.

## WORKING CAPITAL SUFFICIENCY

We recorded net current liabilities of RMB2,605.1 million and RMB3,433.9 million as of December 31, 2020 and 2021, respectively, primarily attributable to our redeemable capital contribution. We had net liabilities and total deficit of RMB517.9 million and RMB1,157.0 million as of December 31, 2020 and 2021, respectively, primarily attributable to redeemable capital contribution and bank and other borrowings. Our redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, was primarily attributable to the special rights of the **[REDACTED]** Investors included in our financing arrangements, which were recorded as financial liabilities. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. See "History, Development and Corporate Structure—**[REDACTED]** Investments—Special Rights of **[REDACTED]** Investors" and Note 30 to the Accountants' Report in Appendix I to this document for details. Consequently, as of December 31, 2022, we recorded nil redeemable capital contribution, and we had significantly reduced our net current liabilities to RMB149.6 million and returned to a total equity position. Specifically, we recorded net assets and total equity of RMB1,995.6 million as of December 31, 2022 and RMB2,081.3 million as of June 30, 2023.

We seek to improve our liquidity and profitability as well as ensure our working capital sufficiency going forward by driving our operating cash flow through our expanding business as well as implementing cost control measures. See "Financial Information—Business Sustainability—Driving Continuous Revenue Growth" and "Financial Information—Business Sustainability—Reducing Costs and Expenses as Percentage of Revenue." We successfully increased our net operating cash inflow from RMB50.6 million in 2020, to RMB151.2 million in 2021. Such continuous growth from 2020 to 2021 was primarily driven by (1) the decrease in amounts due from related parties due to our enhanced collection efforts, (2) the increase in accruals and other payables primarily related to construction costs for our medical institutions to expand our hospital business, primarily including Guangzhou Hospital, (3) the decrease in deposits, prepayments and other receivables as a result of the decrease in prepayment for property, plant and equipment associated with the construction of our medical institutions along with the expansion of our hospital business, and (4) the increase in trade payables along with the growth of our sales and installing of medical equipment and software.

We believe that we have sufficient working capital for the next 12 months from the date of this document after considering (1) our cash and cash equivalents balance of RMB257.3 million as of June 30, 2023, (2) our good track record in being able to raise money from renowned investors to finance our business, as evidenced by three rounds of **[REDACTED]** Investments, (3) unutilized credit facilities of RMB820.0 million from independent third party commercial banks for working capital purposes as of the Latest Practicable Date, (4) **[REDACTED]** of approximately HK$**[REDACTED]** million from the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** of the

**[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED] [REDACTED]**), and that the **[REDACTED]** is not **[REDACTED]**, (5) proceeds from bank borrowings from other commercial banks for fixed assets investment and construction purposes, (6) the Company's operating requirements including, among others, selling and distribution expenses, administrative expenses, research and development expenses, capital expenditures, and expenses related to the construction and staffing of Shanghai Hospital, and (7) the expected financing cash outflow considering the maturity profile of our bank and other borrowings as of June 30, 2023 and the related borrowings repayment and interest payment schedule in the next 12 months from the date of this document.

We intend to continue to finance our working capital with cash generated from our operations, bank loans, **[REDACTED]** from the **[REDACTED]** and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into consideration of financial resources presently available to us, our Directors are of the view, and the Joint Sponsors concur, that our working capital, which includes available cash and cash equivalents, anticipated cash flow from operations, bank loans, and **[REDACTED]** from the **[REDACTED]**, will be sufficient to meet our present requirements for the next 12 months from the date of this document.

See "Financial Information—Working Capital Sufficiency."

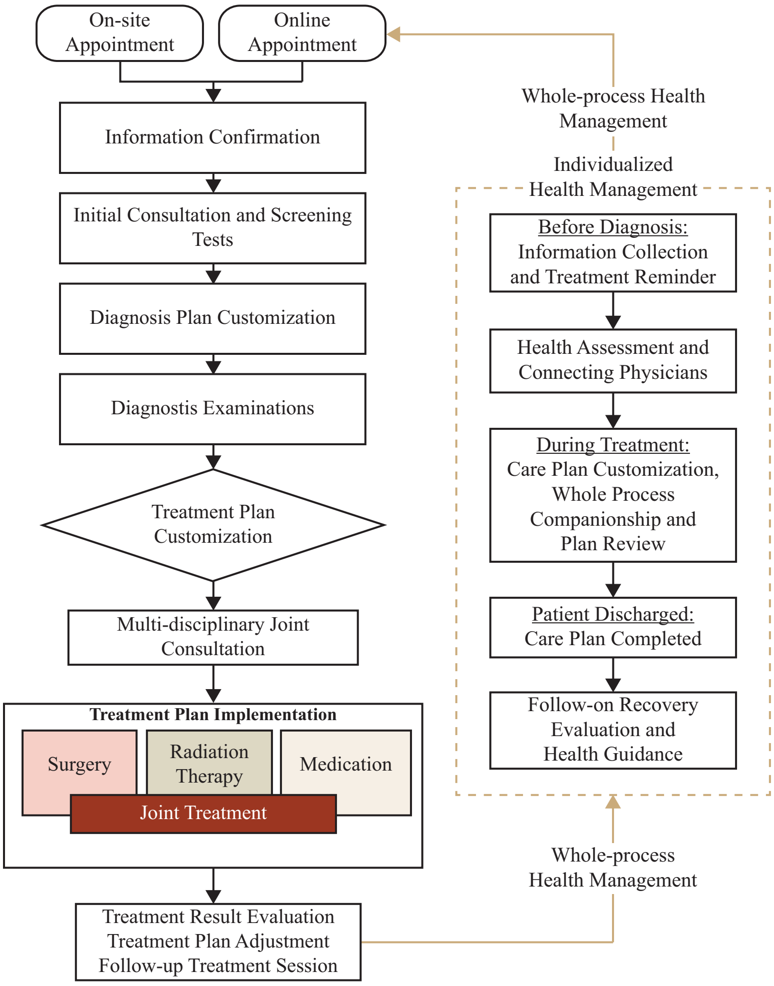
## OUR ONCOLOGY HEALTHCARE SERVICES

### Service Process

We provide premium oncology healthcare services to cover the entire process of cancer care spanning over cancer screening, diagnosis, treatment and post-treatment health management. In particular, we provide full spectrum services from definitive diagnosis reports to monthly follow-up radiation therapy treatments and further to management of cancer as a chronic disease in normal daily life. We have developed and implemented highly standardized treatment procedures across our medical institutions to provide personalized treatment and care that cater to individual patients' needs and conditions, with the overarching goal of improving treatment efficacy and uplifting the life quality of our patients.

We have adopted unified operational standards implemented by our MDT experts throughout the cancer care process. To ensure the successful implementation of each step, we have established a comprehensive system of carefully designed operational protocols and medical procedures in accordance with the internationally leading clinical practice guidelines. We have also established stringent quality management and risk control standards to safeguard patient well-being and treatment efficacy.

The following flow chart illustrates our typical cancer care service process.




### *Screening*

We help patients detect cancer at an early stage to improve their long-term survival and quality of life. Equipped with techniques such as mammography, we provide customized cancer screening tests appropriate for the patients' gender, age and lifestyle. We usually arrange experienced nurses to accompany our patients throughout all the examinations and, upon delivering screening reports, our MDT experts provide one-on-one consultations for patients to interpret the screening results and recommend further diagnostic tests and treatments. See "—Key Features—MDT Practice." In the consultation sessions, we help patients better navigate the cancer care process by explaining suspected cancer types, recommended diagnosis methods, common treatment options, expected timetables and potential side effects.

### *Diagnosis*

Our medical institutions provide a full set of diagnostic imaging and diagnostic pathology services. We offer diagnostic imaging services such as automated breast ultrasound examination, MRI examination, PET/CT examination and CT examination. For instance, our PET/CT equipment is capable of conducting high-resolution and low-dose plain scan and implementing 0.625mm reconstruction of the scanned tissues, enabling us to detect the hidden cancer tissue before it fully grows. We conduct diagnostic pathology through biopsy, endoscopy and blood tests. We have implemented standard operational protocols and quality control requirements for diagnostic pathology. In addition, to increase the accuracy of pathological test results, we utilize digitalized information management system and laboratory equipment for the preparation and analysis of pathological samples. Utilizing our Jiahe Yunying Remote Imaging Information Diagnosis Platform, we provide remote consultation services together with our guest medical experts at prestigious medical institutions to jointly review the digitalized diagnostic scanning image and pathological sample image for an accurate diagnosis.

***Treatment***

Our patient treatment plans are highly individualized. We consider each patient's diagnostic results, medical history and physical conditions before formulating the treatment plans. For each treatment plan, our physicians explain to the patients, among other things, the suitable treatment options, the goal and expected timetable, potential side effects and their legal rights, to facilitate well-informed decision-making. We offer differentiated treatment options, covering all the mainstream treatments including surgery, radiation therapy and medication or a combination of these therapies.

- *Surgery*. We offer surgery options, which include primarily ablation therapy, minimally invasive surgery and laser interstitial thermal therapy. In some cases, we combine surgery with chemotherapy or radiation therapy to foster an overall treatment plan. We have also accumulated expertise in breast-conserving and breast reconstruction surgeries to better serve patients with breast cancer.

- *Radiation therapy*. We provide advanced radiation therapy treatment, especially precision radiation therapy. We have professional radiation physicists, who conduct comprehensive evaluation to calibrate the most suitable radiation modeling and form personalized radiation treatment plans. Our experienced physicians are well versed in operating advanced radiation therapy equipment to ensure the delivery of the appropriate amount of radiation dose at the right angle and to the right scope. Our self-owned medical institutions are equipped with advanced radiation therapy facilities include accelerators, gamma knife systems, large-aperture radiation therapy simulators and after-loading brachytherapy systems. Leveraging our advanced radiation therapy equipment, we provide various precisian radiation therapy options including precision radiation therapy technologies such as IMRT, IGRT, VMAT, SRT and brachytherapy. We also offer palliative care to relieve cancer symptoms when complete cure is not viable. Furthermore, we had one set of proton therapy equipment with four treatment rooms as of the Latest Practicable Date, for which we have commenced the clinical trial in November 2022.

- *Medication*. We offer all of the three major medication options including chemotherapy, targeted therapy and immunotherapy. We provide individualized medication usage plans for patients.

***Post-treatment Health Management***

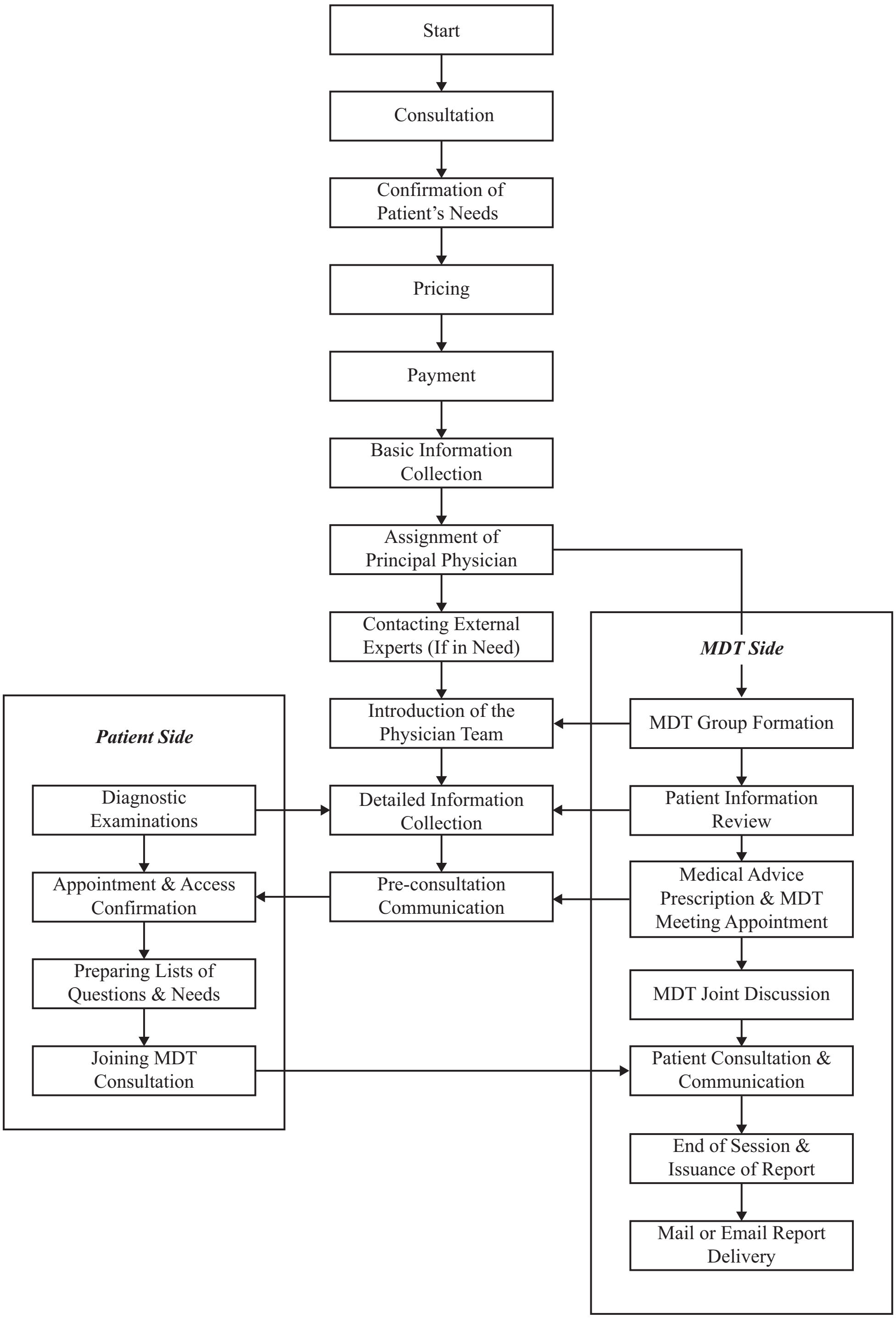
We provide a full spectrum of oncology healthcare services to cancer patients across the entire care continuum through our self-owned medical institutions. Our senior attending physicians and nurses closely follow up with patients and continuously refine their health management plans to meet the patients needs, and relieve their psychological pressure. Our nursing team uses comprehensive health assessment tools to conduct systematic assessments and formulates personalized post-treatment health management plans for our patients. We also closely monitor the side effects and changes in vital signs of cancer to conduct timely recovery assessment and effective intervention to facilitate a comfortable and smooth treatment process. We also follow up with each patient who has completed the treatment, and provide them with support on diet, nutrition, psychology and side effect management according to their individual recovery status. Our Internet Hospital also plays an important role in extending our value chain with more accessible and convenient health management services to the patients during the treatment and the post-treatment health management.

**Key Features**

***MDT Practice***

We take pride in our patient-oriented MDT approach, which differentiates us from other participants in China's oncology healthcare service industry that typically adopt sequential treatment approach. The MDT approach brings together a group of healthcare professionals from different fields involved in cancer care with the overarching goal of optimizing patient care and treatment efficacy. Following the MDT practice guidelines, we offer each patient MDT consultations, which are organized and conducted by a committed team of full-time physicians from various disciplines and nursing staff. In our self-owned medical institutions, we usually assemble several healthcare professionals, comprising physicians, pharmacists, therapists, and nursing staff from different treatment departments, primarily consisting of diagnostic imaging, pathology, radiation therapy, surgery, clinical oncology, nutrition, endoscopy center and clinical laboratory, with clear responsibility allocation and time commitment requirements. We assign our medical professionals to different roles along the service process based on their specialties, which allows us to deliver satisfactory patient experience at each key junction of the cancer-fighting journey. The MDT collaboration has enabled an overall assessment of the medical conditions of a patient and accordingly to formulate a comprehensive treatment plan that is appropriately responsive to such conditions.

The following flow chart illustrates our typical MDT practice process for our patients.




### *Clinical Practice and Quality Control Protocols of International Standards*

We have developed a set of medical operation and clinical practice protocols in accordance with international standards, combined with the clinical practice guidelines of the NCCN in the United States and the CSCO in China. We have also established stringent radiation therapy quality control and risk management standards to safeguard patient well-being and treatment efficacy. Furthermore, we have implemented a set of comprehensive standards regarding our daily patient management and clinical practice to improve service efficiency.

***Precision Radiation Therapy***

Precision radiation therapy is at the core of our full-suite oncology healthcare services. Precision radiation therapy can directly target the tumor and minimize the collateral damage to the normal tissues adjacent to the tumor through utilizing the cutting-edge radiation technology and the nature of proton radiation beam, which may significantly improve the efficacy of radiation therapy treatment while limiting side effects to retain the quality of life of the patients. Precision radiation therapy primarily includes proton therapy, IMRT, IGRT, VMAT, SRT and brachytherapy.

Although photon therapy using photon beam remains one of the most effective cancer treatment approaches, it causes side effects such as swallowing disfunction, cranial nerve and brain injury, pain and inflammatory reaction in multiple organs. The physical nature of photon beam accounts for the side effects due to the suboptimal dose distribution and unnecessary large volume of normal tissue covered in radiated areas, which may also lead to subsequent second cancers. Precision radiation therapy minimizes these two problems by releasing the radiation beam with a higher dose of radiation right at the targeted area.

Proton therapy uses proton beam, characterized by its signature energy distribution curve known as the "Bragg peak," to release the maximum energy pinpointing the tumor tissues and achieve the optimal therapeutic effect. The energy distribution curve of proton beam also minimizes the damages to normal tissue, with tissues located before the tumor receiving little dose and the tissues situated behind the tumor receiving almost none. As a result, proton therapy is a preferred treatment option for a variety of cancers especially where conventional photon radiation therapy may cause severe damage to the normal tissues adjacent to the tumor, according to the F&S Report. For instance, for NPC treatment, as the nasopharyngeal tumor is adjacent to many important tissues and organs such as brainstem, cranial nerve and optical nerve, it is difficult for the photon beam of traditional therapy to reach the center of the tumor while avoiding serve radiation-induced damage to the surroundings, which may otherwise lead to cancer recurrence and even life-threatening side effects. Leveraging the proton therapy featured with the physical and biological natures of proton and cutting-edge delivery technology, we would be able to treat each individual NPC patient precisely with customized radiation amount and angle to improve the treatment outcome, decrease the metastasis rate and reduce adverse effects, all aiming to maintain the patient's quality of life to the upmost. Since NPC has high incidence and metastasis rate in South China, especially in Guangdong province, the expected availability of proton therapy in our Guangzhou Hospital will benefit both new cancer patients and recurrent patients treated with traditional photon therapy. See "—Our Hospital Business—Our Medical Institutions in the Greater Bay Area—Guangzhou Hospital."

We provide customized treatment plans for each patient to ensure the accuracy of radiation therapy operation. We design the selection of irradiation technology, target delineation and dose formulation in strict compliance with our heightened safety standards learned from world-renowned medical institutions to protect the patient's normal tissues from accidental injury.

**Our Planned Proton Therapy Services**

Proton therapy is one of the most advanced precision radiation therapy treatment options, especially for various localized cancers with a large patient population in China, such as NPC and lymphoma. As of December 31, 2022, there were approximately 100 proton therapy treatment centers in operation worldwide, with only two facilities in operation in China, according to the F&S Report. Five out of the top 10 tumor treatment facilities in the world have their own proton therapy treatment centers, according to the same source.

Our Guangzhou Hospital procured one customized set of four-chamber proton therapy equipment with four rotating gantry treatment rooms produced by a renowned manufacturer of cancer care devices. Apart from securing the customized equipment, we have completed the following processes for the proton center of Guangzhou Hospital, including (1) building construction, site preparation, equipment lifting and handling, commissioning of the proton therapy equipment, and acceptance for clinical trial for one of the four treatment rooms, in terms of facilities; (2) obtaining the Radiation Safety Permit and completing the fire safety evaluation, in terms of required licenses; and (3) recruiting a team of medical professionals with international experience, including leading medical experts with extensive experience in proton therapy treatment, and the team primarily includes physicists, radiologists and nursing staff. We have commenced the clinical trial for our proton therapy equipment at the proton center of Guangzhou Hospital in November 2022, which is expected to be completed in December 2023 following the completion of our clinical treatment patient follow-up visits.

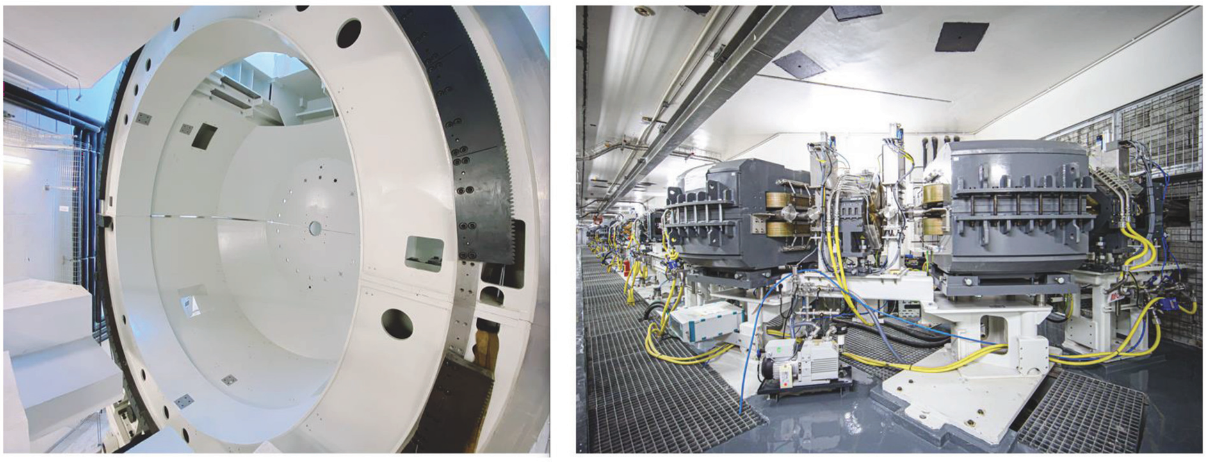
The following milestone table summarizes the development progress of our planned proton center of Guangzhou Hospital as of the Latest Practicable Date.

| Step | Milestone | Current status | Expected timeframe |
|---|---|---|---|
| 1 | Building construction, site preparation, equipment lifting and handling | Completed<br>February 2017 – December 2018: from commence building construction to finish constructing main structure of Guangzhou Hospital<br>September 2020 – August 2021: from start lifting the core components of the proton therapy equipment to finish commissioning of the proton therapy equipment | N/A |
| 2 | Commissioning of the proton therapy equipment | Completed<br>August 2021 – March 2022: from cyclotron beam extraction of the proton therapy equipment to set up ready the first proton therapy treatment room | N/A |
| 3 | Obtaining the Radiation Safety Permit and completing the fire safety evaluation | Completed<br>Prior to the commencement of Guangzhou Hospital in June 2021 | N/A |
| 4 | Recruiting medical professionals | Completed<br>Prior to the commencement of Guangzhou Hospital in June 2021 | N/A |
| 5 | Clinical trial for the proton therapy equipment | Patient recruitment – completed in May 2023 | |
| . | | Clinical treatment – completed in June 2023 | Post-trial analysis and report compilation – expected to be completed in December 2023 |
| 6 | Equipment acceptance | Equipment non-clinical acceptance – completed in May 2023 | Equipment clinical acceptance – expected to be completed in December 2023 |
| 7 | Application for the Registration Certificate for Medical Device for the proton therapy equipment by the equipment supplier | Pending for completion of clinical trial and equipment acceptance | Expected to submit registration application in January 2024 |
| 8 | Application for the License for the Deployment of Large-scale Medical Equipment for the proton therapy equipment | NHC has issued the Large-scale Medical Equipment Catalogue in March 2023, the Large-scale Medical Equipment Configuration Plan in June 2023 and the 2023 Declaration Notice in September 2023<br>Application submitted in November 2023 | N/A |

As illustrated by the milestone table, we have entered into the final stages before the operation of the proton therapy center in Guangzhou Hospital. Specifically, we have commenced the clinical trial for the proton therapy equipment, which is expected to be completed in December 2023. The registration application for the Registration Certificate for Medical Device for the proton therapy equipment is expected to be submitted by the equipment supplier in January 2024 after the completion of the clinical trial in December 2023, and it is expected to be obtained in early 2024. In the meantime, we have submitted the application for the License for the Deployment of Large-scale Medical Equipment, being the only relevant certificate or license which need to be newly applied for by us for the proton therapy equipment, on November 24, 2023. Based on the timeframe of the NHC for the approval of previous similar deployment license, we expect to obtain the license in early 2024 and start operation of the proton center of Guangzhou Hospital in March 2024. Guangzhou Hospital has met the admission standards and evaluation criteria for the License for the Deployment of Large-scale Medical Equipment for the proton therapy equipment under the relevant laws and regulations when applying for the license. Based on the relevant laws and regulations as well as our material and confirmation, our PRC Legal Advisor advised that there is no material legal impediment for Guangzhou Hospital to meet the application conditions to obtain the License for the Deployment of Large-scale Medical Equipment for the proton therapy equipment. During the Track Record Period, we incurred costs of approximately RMB591.7 million for establishing the proton therapy center for Guangzhou Hospital.

In addition, Shanghai Hospital expects to deploy one set of proton therapy equipment with four treatment rooms in Shanghai Hospital. We expect the remaining amount to be incurred for the proton therapy equipment to be deployed in Shanghai Hospital would be approximately RMB310.0 million, which would be funded primarily by cash generated from our operations and bank and other borrowings. Our Directors are of the view that there is no material difficulties in obtaining the License for the Deployment of Large-scale Medical Equipment for proton therapy equipment at Shanghai Hospital, considering that we plan to construct the proton center of Shanghai Hospital following the same admission standards and evaluation criteria as we did for the proton center of Guangzhou Hospital to meet the relevant laws and regulations regarding the deployment of proton therapy equipment. Based on the relevant laws and regulations as well as our material and confirmation, our PRC Legal Advisor advised that there is no material legal impediment for Shanghai Hospital, as a hospital under construction, to meet the application material requirements to obtain the License for the Deployment of Large-scale Medical Equipment for the proton therapy equipment when applying for the license. While Guangzhou Hospital is specialized in the treatment of NPC, which has high incidence in South China, we expect Shanghai Hospital to specialize in the clinical research and treatment of cancer diseases of high incidence in East China.

To better promote the application of proton therapy technology, in 2014, we founded the digital journal of Proton China (質子中國), which is one of the proton therapy data information platforms in the industry in China, according to the F&S Report. Proton China aims to provide clinical and technological information relating to proton and heavy-ion radiation therapy for the reference of patients and the medical community. In addition, we also introduce the latest status of the development progress of our planned proton center of Guangzhou Hospital on our social media platforms, such as the WeChat official account of Proton China, for public awareness.



Proton accelerator and facility at Guangzhou Hospital

## OUR HOSPITAL BUSINESS

We have established or acquired seven offline self-owned offline medical institutions to provide the full spectrum of oncology healthcare services, which are strategically located in Guangzhou, Shanghai and Datong, serving the broad patient bases in the Greater Bay Area, the Yangtze River Delta and the North China regions, respectively. Specifically, in the Greater Bay Area, our Guangzhou Hospital and Guangzhou Outpatient Center specialize in NPC radiation therapy and breast cancer surgery among other comprehensive oncology healthcare services.

In the Yangtze River Delta, our Shanghai Imaging Center serves as a diagnosis hub with advanced imaging equipment to provide early-stage cancer screening and diagnostic services to patients in the Yangtze River Delta region and across China via our cloud platforms. To complement the independent diagnostic services of Shanghai Imaging Center, our Shanghai GP Clinic provides general practice services and interacts with Shanghai Imaging Center by providing referral services for patients in need of imaging examination. Our Shanghai Outpatient Center primarily provides cancer diagnosis, radiation therapy and chemotherapy services for outpatients. In the North China region, our Datong Hospital and Datong Clinic feature the post-treatment health management services utilizing traditional Chinese therapy. In addition, we launched our Internet Hospital in May 2021 as a one-stop portal connecting cancer patients with comprehensive oncology healthcare resources. The following table sets forth a summary of our offline medical institutions and their employed medical professionals as of June 30, 2023.

| Medical Institution | Location | Actual/ Planned GFA | Date of commencement | Number of physicians employed at our medical institution | Number of professional nurses and caretaking staff and other medical professionals | Registered/ Planned beds |
|---|---|---|---|---|---|---|
| | | *(sq.m.)* | | | | |
| ***Greater Bay Area*** | | | | | | |
| Guangzhou Hospital(1) | Guangzhou, Guangdong province | 109,321 | June 2021 | 54(3) | 187(3) | 100 registered and 300 planned |
| Guangzhou Outpatient Center | Guangzhou, Guangdong province | 1,555 | April 2020 | 1(3) | 17(3) | — |
| ***Yangtze River Delta*** | | | | | | |
| Shanghai Hospital (2) | Shanghai | 158,769 | Expected in January 2026 | 2(4) | 2 | 400 planned |
| Shanghai Outpatient Center | Shanghai | 3,015 | October 2018 | 6(4) | 28 | — |
| Shanghai Imaging Center | Shanghai | 10,429 | November 2019 | 12 | 30(5) | — |
| Shanghai GP Clinic | Shanghai | 557 | October 2021 | 1 | 2(5) | — |
| ***North China Region*** | | | | | | |
| Datong Hospital | Datong, Shanxi province | 5,983 | May 2017 | 10 | 50 | 100 registered |
| Datong Clinic(6) | Datong, Shanxi province | 143 | January 2021 | — | — | — |
| **Total** | | 289,772 | | 86 | 316 | 900 |

(1) Phase I of Guangzhou Hospital has 100 registered beds. Phase II of Guangzhou Hospital is in the process of construction planning and has a planned bed count of 300.

(2) Shanghai Hospital is under construction and has a planned bed count of 400. We have completed the topping out of the overall structure of Shanghai Hospital in August 2020 and the water closure of the facade curtain wall in August 2022. As of the date of this document, we have also completed (1) the construction of the concrete separation wall of the large equipment room of the radiation therapy center

in the interior of the building, the partition wall of the general equipment rooms for plumbing, heating and electricity, the vertical pipe well structure, and the installation of the main vertical pipes; (2) the design drawings of mechanical and electrical installation and finishing; and (3) the review of sample rooms such as wards and consultation rooms. We have been in the process of full-scale installation of the internal electromechanical equipment and conducting interior finishing works. We expect to complete the phase I of the construction of Shanghai Hospital in September 2025, and the construction of the underground structure for phase II of the construction of Shanghai Hospital in October 2024. Phase I of Shanghai Hospital is expected to commence operation in January 2026.

(3) Six physicians employed by Guangzhou Hospital practice at Guangzhou Outpatient Center.

(4) Two physicians employed by Shanghai Hospital practice at Shanghai Outpatient Center.

(5) One nurse employed by Shanghai GP Clinic practices at Shanghai Imaging Center.

(6) We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023.

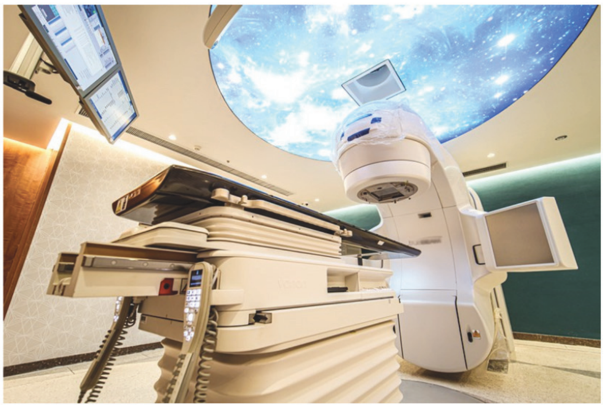
**Our Medical Institutions in the Greater Bay Area**

We strategically developed our Guangzhou Hospital and Guangzhou Outpatient Center in the Greater Bay Area. As a comprehensive cancer hospital, Guangzhou Hospital provides patients with the entire process of cancer diagnosis and treatment services, specializing in NPC radiation therapy and breast cancer surgery. Guangzhou Outpatient Center is an oncology specialty outpatient clinic in synergy with our Guangzhou Hospital, acting as a hub to attract patients in need of in-hospital diagnosis and treatment.

***Guangzhou Hospital (廣州泰和腫瘤醫院)***

Guangzhou Hospital is a comprehensive Class III cancer hospital offering both inpatients and outpatients with the entire process of cancer diagnosis and treatment services, including diagnostic imaging, radiation therapy, chemotherapy, interventional radiation therapy, targeted therapy, immunotherapy and surgical treatment. Guangzhou Hospital is situated in a prime location in the Greater Bay Area and is also one of the first high-tech projects launched in the Sino-Singapore Guangzhou Knowledge City, a high-end industrial park serving as a core innovation platform for the Greater Bay Area, to leverage supportive government policies and synergy with other high-tech institutions in the industrial park.

As of June 30, 2023, Guangzhou Hospital had 13 clinical departments, including, among others, departments of oncology, surgery, internal medicine, diagnostic imaging, diagnostic pathology and preventive healthcare. In addition, Guangzhou Hospital has a digital integrated class 100 laminar flow operating room (百級層流手術室) with heightened standards for hygiene, radiation protection, patient-oriented care and post-anesthesia recovery assessment, facilitating the provision of premium cancer care.



Digital integrated class 100 laminar flow operating room and linear accelerator in Guangzhou Hospital

The featured therapies offered at Guangzhou Hospital primarily including the followings.

- *SRT (立體定向放療).* We offer stereotactic radiation treatment options for one-time radiation surgery and multiple-time fractionated radiation treatments. The treatments are supported by our gamma knife equipment to treat various kinds of brain tumors, especially for patients not suitable for traditional invasive surgeries due to poor physical conditions.

- *IGRT (影像引導放療).* We use imaging technology before and during radiation therapy to improve its precision and accuracy. Leveraging the IGRT technology, our medical teams are able to fully observe the anatomical structure and map the location of the tumors and adjusts the patient's position and the radiation beams accordingly to ensure that the radiation field closely follows the target area, thereby reducing displacement errors and minimizing side effects.

- *IMRT (調強放療)*. Different from traditional two-dimensional radiation therapy, our medical team calibrates the intensity of the radiation based on the 3D shape of the tumor to ensure an accurate focus and minimize the radiation dose on the surrounding normal tissues, reducing the side effects and pain for our patients.

- *VMAT (容積調強放療)*. We provide VMAT as an alternative for patients who cannot endure the intensity or length of IMRT treatment. We significantly reduce the treatment time required to two to six minutes, compared to 15 to 30 minutes for the IMRT treatment. With this technology, our medical team calibrates and controls the intensity of radiation without damaging important organs in the middle or depression of the tumor, thereby protecting important organs within or close to the tumor.

- *Brachytherapy (近距離放療)*. We provide this specialized treatment by guiding a sealed radioactive source directly into the human body which releases high-dose radiation once it reaches the target area. Leveraging this method, we are able to minimize the damages to surrounding tissues and provide a particularly suitable treatment for patients of certain types of cancer, such as cervical cancer, prostate cancer and breast cancer.

Guangzhou Hospital has attracted medical experts from around the world, including Professor Chaonan Qian serving as the dean. Guangzhou Hospital is also joined by excellent cancer specialists from China and abroad, such as Dr. YUAN Taize, radiation therapy expert trained at Mayo Clinic proton center, and former visiting scholar of Florida Proton Therapy Center.

Our MDT experts at Guangzhou Hospital conduct highly complex cancer treatments, especially breast-conserving surgeries. For instance, in September 2021, our medical professionals at Guangzhou Hospital completed a highly complex operation of DIEP flap breast reconstruction surgery, for which only a few hospitals in China have the capability to perform.

The following table sets forth certain key operational and financial information of Guangzhou Hospital for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | | Ten months ended October 31, |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022[(1)] | 2022 | 2023 | 2023 |
| | | | | (Unaudited) | | (Unaudited) |
| **Guangzhou Hospital** | | | | | | |
| Outpatient visits (thousands) | – | 2.8[(4)] | 19.9 | 8.9 | 12.7 | 19.8 |
| Inpatient visits (thousands) | – | 0.2 | 2.4 | 0.9 | 1.6 | 2.9 |
| Average spending per outpatient visit (RMB) | – | 2,542.8[(4)] | 2,025.5 | 1,779.0 | 2,328.0 | 2,328.9 |
| Average spending per inpatient visit (RMB) | – | 21,562.1[(4)] | 25,599.9 | 26,726.2 | 25,679.9 | 26,485.7 |
| Occupancy rate of registered beds[(2)] | – | 5.8% | 31.9% | 24.3% | 38.7% | 40.2% |
| Revenue derived from Guangzhou Hospital (RMB in thousands)[(3)] | – | 11,514.2 | 102,789.4 | 40,215.0 | 71,118.2 | 121,804.7 |

(1) All the key operational and financial information were collected since June 2021 when Guangzhou Hospital commenced operation.

(2) Calculated as the inpatient bed-days, being the actual number of beds occupied by our inpatients on each day aggregated over the course of the relevant period, divided by the total number of registered beds on each day aggregated over the course of such period, multiplied by 100%.

(3) Include revenue generated from the provision of COVID-19 testing service of RMB36,000, RMB465,000, RMB167,000 and RMB5,000 in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

(4) The average spending per outpatient visit and the average spending per inpatient visit in 2021 are not representative as Guangzhou Hospital commenced operation in June 2021 with relatively limited patient visits in its early development stage.

Historically, Guangzhou Hospital operated with limited service capacity since its commencement in June 2021, especially for its inpatient services as we only put in use 66 of the 100 registered beds for inpatient services as of December 31, 2022, primarily because (1) we gradually increased our inpatient service availability based on the increasing actual patient volume and hospitalization demand to ensure a smooth transition from pilot operation without sacrificing the quality of our premium cancer care services, (2) we gradually promoted our brand recognition among patients, which takes time for the direct contribution in our patient volume, and (3) in light of the COVID-19 pandemic, cancer patients who are not in severe conditions may choose to limit their visits to hospitals, especially for hospitalized services, if at all, during the pandemic for concerns of cross-infection. As of June 30, 2023, we put in use 94 of the 100 registered beds for inpatient services in Guangzhou Hospital.

***Guangzhou Outpatient Center (廣州泰和醫療門診部)***

We acquired Guangzhou Outpatient Center in April 2020, the predecessor of which commenced operations in January 2018. Guangzhou Outpatient Center is an oncology specialty outpatient clinic specialized in breast cancer treatment. Located in downtown Guangzhou, Guangzhou Outpatient Center primarily provides cancer screening, diagnosis, treatment and health management services for outpatients. As of June 30, 2023, Guangzhou Outpatient Center had multiple clinical departments primarily including internal medicine, surgery, gynecology, oncology, pediatrics, medical laboratory and medical imaging diagnosis and was equipped with advanced oncology diagnostic equipment such as color doppler ultrasound and mammography.

The services we provided at Guangzhou Hospital and Guangzhou Outpatient Center are clinically integrated to cover the full cycle of cancer care. At Guangzhou Hospital, patients can access comprehensive cancer services such as level III/IV surgery and gamma knife radiation therapy which require in-hospital treatment. Patients can visit Guangzhou Outpatient Center for follow-up visits or treatments, and get access to advanced cancer screening and diagnosis services and treatments including Level I/II surgery, postoperative rehabilitation, chemotherapy infusion, genetic counseling, and international second diagnosis and treatment opinions. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the number of outpatient visits at Guangzhou Outpatient Center was 209, 2,153, 6,000, 1,997 and 2,057, respectively, and the average spending per outpatient visit was RMB357.0, RMB747.8, RMB1,309.3, RMB1,994.6 and RMB811.8, respectively. In the ten months ended October 31, 2023, the number of outpatient visits at Guangzhou Outpatient Center was 3,529 and the average spending per outpatient visit was RMB851.9. Our revenue derived from Guangzhou Outpatient Center was RMB0.1 million, RMB1.6 million, RMB7.9 million, RMB4.0 million and RMB1.7 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and further reached RMB3.0 million (unaudited) in the ten months ended October 31, 2023. Guangzhou Outpatient Center had decreases in both revenue and average spending per outpatient visit in the six months ended June 30, 2023 compared to the same period in 2022, primarily because we adjusted the development strategy for Guangzhou Outpatient Center in 2023 to position it as a patient acquisition, reception, referral and post-treatment health management hub to complement the clinical services in Guangzhou Hospital to achieve better synergy among the two medical institutions along with the burgeoning of Guangzhou Hospital.

**Our Medical Institutions in the Yangtze River Delta Region**

In the Yangtze River Delta region, our Shanghai Imaging Center serves as a diagnosis hub with advanced imaging equipment to provide early-stage cancer screening and diagnostic services to patients in the Yangtze River Delta region and across China via our cloud platforms. Our Shanghai Outpatient Center primarily provides cancer diagnosis, daytime radiation therapy and chemotherapy services for outpatients. Leveraging our extensive experience and patient recognition accumulated from the operation of Shanghai Imaging Center and Shanghai Outpatient Center, we are constructing Shanghai Hospital to provide the full-cycle of multidisciplinary cancer care services in accordance with international standards and expand our services across the Yangtze River Delta region.

***Shanghai Outpatient Center (上海美中嘉和腫瘤門診部)***

We acquired Shanghai Outpatient Center in October 2018, whose operating history can be tracked back to November 2006. Shanghai Outpatient Center is an oncology specialty outpatient clinic primarily providing cancer diagnosis as well as radiation therapy and chemotherapy services for outpatients. As of June 30, 2023, Shanghai Outpatient Center had advanced oncology diagnostic and treatment equipment such as accelerators, large-aperture radiation therapy simulators, MRI and CT scanners.

Shanghai Outpatient Center is located at the center of Shanghai, which operates hand-in-hand with our Shanghai Hospital upon commencement of operation and Shanghai Imaging Center so that their respective diagnosis or treatment specialties could be integrated to provide a full range of cancer care services to patients in the broader Yangtze River Delta region. Its broad patient base is also supported by the access to public medical insurance. As a result, patients at Shanghai Outpatient Center can enjoy public medical insurance reimbursement for our services including outpatient consultation, chemotherapy, accelerator radiation therapy, laboratory tests and imaging tests (such as MRI, CT, B-ultrasound, mammography, electrocardiogram). Furthermore, patients lived in the Yangtze River Delta region outside Shanghai can also enjoy public medical insurance reimbursement for services at our Shanghai Outpatient Center due to its joining of the off-site settlement program.

The following table sets forth certain key operational and financial information of Shanghai Outpatient Center for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | | Ten months ended October 31, |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 | 2023 |
| | | | | (Unaudited) | | (Unaudited) |
| **Shanghai Outpatient Center** | | | | | | |
| Outpatient visits (thousands) | 10.9 | 18.2 | 13.9 | 4.4 | 9.8 | 16.0 |
| Average spending per outpatient visit (RMB) | 4,871.2 | 4,810.3 | 4,195.9 | 4,582.0 | 4,646.6 | 4,643.6 |
| Revenue derived from Shanghai Outpatient Center (RMB in thousands) | 53,246.5 | 87,701.5 | 58,263.8 | 20,366.8 | 45,671.2 | 74,315.6 |

The decrease in outpatient visits from 2021 to 2022 was primarily because of the temporary closure of Shanghai Outpatient Center from April 2022 to June 2022 amid the regional resurgence of COVID-19. The decrease in the average spending per outpatient visit during the same periods was primarily due to the decrease in pricing of certain pharmaceuticals as impacted by implementation of the centralized volume-based drug procurement regime in China.

***Shanghai Imaging Center (上海美中嘉和醫學影像診斷中心)***

Shanghai Imaging Center, located in International Medical Center ("IMC"), was established in January 2018 and became fully operational in April 2020. Shanghai Imaging Center features diagnostic imaging services, such as radiology, ultrasound and nuclear medicine, diagnosis and remote consultation, and training, which enable us to serve individual patients as well as patients from our self-owned and partnered hospitals and other medical institutions, especially the other eight private or public medical institutions in the IMC.

Shanghai Imaging Center was one of the most comprehensively equipped and largest diagnostic imaging centers in China, with advanced oncology diagnosis and treatment equipment such as PET/CT, MRI, CT, digital radiography, ultrasound, mammography and other cutting-edge imaging diagnostic equipment.

MRI examination equipment and PET/CT equipment in Shanghai Imaging Center

Utilizing its advanced diagnostic equipment, Shanghai Imaging Center actively promotes the development of early disease screening projects with its targeted medical imaging and specific disease screening services, bringing more opportunities for active disease prevention to patients. The featured diagnosis services provided in Shanghai Imaging Center primarily include the following.

- *Automated breast ultrasound examination*. Shanghai Imaging Center has adopted the high-definition 3D volumetric imaging technique so that the early cancers in dense breast can be clearly observed. It also supports cloud storage and remote access, which enables our MDT experts of different geographical locations to collaborate online and provide remote services to patients efficiently through our cloud imaging platform.

- *MRI examination*. At Shanghai Imaging Center, the installation of a set of 3.0T MRI examination equipment was in process to provide the MRI imaging technique which accurately measures the blood flow of brain tissue and the zero-echo time imaging technology to achieve direct visualization of tissues without blind zone. This combination not only increases the imaging acquisition speed, but also improves the contrast between the lesion and the lesion boundary, which helps obtain clearer images and more accurate diagnosis.

- *GSI examination*. Shanghai Imaging Center is equipped with the GSI detector (新元素寶石探測器) to achieve accurate heart imaging and low-dose and efficient spectrum scanning of various parts of the body. It can find small lesions missed by conventional CT and greatly reduces the conventional scanning radiation dose.

- *PET/CT examination.* At Shanghai Imaging Center, we provide the dedicated whole-body PET/CT to improve our ability in detecting early signs of cancer and determining cancer stage, enabling early diagnosis and early treatment.

Leveraging the deployment of our cloud platforms, Shanghai Imaging Center also conducts remote medical diagnosis and shares digitalized diagnostic imaging information for the healthcare institutions in the IMC and our self-owned medical institutions. With the Shanghai Imaging Center as a hub for remote diagnosis services, we can integrate the medical resources in our network to facilitate seamless connection between diagnostic imaging and clinical treatment, thereby maximizing the treatment efficiency and improving the patient experience.

We generate revenue primarily through (1) fees charged directly from individual patients for diagnostic imaging services, and (2) fees paid by medical institutions for our services to their patients, which is generally settled on a monthly basis. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the number of outpatient visits at Shanghai Imaging Center was 10,019, 14,664, 8,468, 2,564 and 8,775, respectively, and the average spending per outpatient visit was RMB2,003.4, RMB2,636.0, RMB3,673.2, RMB3,369.3 and RMB3,802.3, respectively. The decrease in outpatient visits from 2021 to 2022 was primarily because of the temporary closure of Shanghai Imaging Center from April 2022 to May 2022 amid the regional resurgence of COVID-19 in Shanghai. In the ten months ended October 31, 2023, the number of outpatient visits at Shanghai Imaging Center was 14,492 and the average spending per outpatient visit was RMB3,659.2. Our revenue derived from Shanghai Imaging Center was RMB20.1 million, RMB38.7 million, RMB31.1 million, RMB8.6 million and RMB33.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, and further reached RMB54.7 million (unaudited) in the ten months ended October 31, 2023.

***Shanghai GP Clinic (上海美中嘉和雲影全科診所)***

To complement the independent diagnostic services of Shanghai Imaging Center, in October 2021, we commenced the operation of Shanghai GP Clinic, which is located at the same building of Shanghai Imaging Center. For outpatients who intend to receive diagnostic examinations at Shanghai Imaging Center without an examination prescription, Shanghai GP Clinic provides patient recipient and diagnostic examination prescription services to avoid the hassle of having to obtain a prescription at another hospital. In 2021, 2022 and the six months ended June 30, 2022 and 2023, the number of outpatient visits at Shanghai GP Clinic was 1,445, 4,750, 1,122 and 4,578, respectively, the average spending per outpatient visit was RMB722.3, RMB161.4, RMB260.1 and RMB199.3, respectively, and our revenue derived from Shanghai GP Clinic was RMB1.0 million, RMB0.8 million, RMB0.3 million and RMB0.9 million, respectively. The decrease in the average spending per outpatient visit from 2021 since its opening in October 2021 to 2022 was primarily due to the reclassification of revenue recognition between Shanghai GP Clinic and

Shanghai Imaging Center for more accurate representation of their operation. Specifically, staring from 2022, we categorized the revenue generated from patients who made diagnostic examination prescriptions at Shanghai GP Clinic and received the following diagnostic examinations at Shanghai Imaging Center to Shanghai Imaging Center, while only retained the revenue related to general consultation services to Shanghai GP Clinic. In the ten months ended October 31, 2023, the number of outpatient visits at Shanghai GP Clinic was 8,006 and the average spending per outpatient visit was RMB200.6. Our revenue derived from Shanghai GP Clinic reach RMB1.6 million (unaudited) in the ten months ended October 31, 2023.

***Shanghai Hospital (上海泰和誠腫瘤醫院)***

As of the Latest Practicable Date, Shanghai Hospital was under construction and scheduled to be opened in January 2026. Shanghai Hospital covers a land area of over 47,800 sq.m. and a total planned GFA of over 158,700 sq.m., and has a planned bed count of 400. Shanghai Hospital will be a Class III hospital providing the multidisciplinary, standardized cancer diagnosis and treatment services featuring precision radiation therapy, covering the entire process of cancer screening, diagnosis and treatment. It will be operated according to the standards of Joint Commission International, an international health care accreditation and certification organization. We plan to equip Shanghai Hospital with clinical departments including among others, surgical oncology, medical oncology, radiation oncology, pathology, interventional radiology and diagnostic imaging, and advanced oncology diagnosis and treatment equipment such as a set of proton therapy equipment. In addition, Shanghai Hospital expects to deploy one set of proton therapy equipment with four treatment rooms in Shanghai Hospital. We expect to commence operation for the proton therapy center in Shanghai Hospital in 2027.

Shanghai Hospital is located in IMC, which is several kilometers away from Hongqiao Airport with the transportation convenience to serve a broadened patient base covering the Yangtze River Delta region. In addition, healthcare institutions located in IMC are strategically planned to possess differentiated expertise in supplement with each other, as well as our Shanghai Imaging Center focusing on diagnostic imaging services. Shanghai Hospital is expected to be the cancer specialty hospital in IMC, to leverage the synergy in attracting patients and formulating multidisciplinary treatment plans.

**Our Medical Institutions in North China Region**

Our Datong Hospital provides the full-spectrum services for cancer patients and features the traditional Chinese medicine cancer rehabilitation treatment project, aiming to offering comprehensive cancer care services and improving patient life quality in the North China region.

***Datong Hospital (大同美中嘉和腫瘤醫院)***

Datong Hospital started pilot operation in May 2016 and became fully operational in May 2017, which was the first Class II cancer specialty hospital in our system. It was one of national key clinical specialty departments that became the member of the China-Japan Hospital Integrated Traditional Chinese and Western Medicine Oncology Specialty Medical Consortium. Datong Hospital provides the full-spectrum services for cancer patients, including cancer prevention physical examination, pulmonary nodule biopsy, precision radiation therapy, individualized chemotherapy, targeted immunotherapy and other projects. Datong Hospital has 100 beds and is equipped with advanced precise-VMAT accelerator, nuclear magnetic resonance, and large-aperture CT tumor diagnosis and treatment equipment such as positioning machine. As of June 30, 2023, Datong Hospital had multiple clinical departments, primarily including departments of outpatient, diagnostic imaging, radiation therapy, internal medicine, surgery, oncology, pathology, body examination, and traditional Chinese medicine.

Datong Hospital provides cancer related services targeting at the patient base in Shanxi province, Hebei province and Inner Mongolia Autonomous Region in North China. Prior to the outbreak of COVID-19 pandemic, in line with market practice, Datong Hospital has historically accepted patients referred from other hospitals for inpatient services based on the two-way referral mechanism within the regional medical consortium under the hierarchical diagnosis and treatment system in China, aiming to alleviate the medical resource inefficiency in lower-tier cities in China. Datong Hospital features the traditional Chinese medicine cancer rehabilitation treatment project. Combining the strength of western treatment and traditional Chinese therapies, we provide patients with periodical after-surgery recovery management and healthcare services to improve patient life quality and continuously relieve side effects of cancer treatment.

The following table sets forth certain of its key operational and financial information for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | | Ten months ended October 31, |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 | 2023 |
| | | | | (Unaudited) | | (Unaudited) |
| **Datong Hospital** | | | | | | |
| Outpatient visits (thousands) | 6.6 | 8.9 | 8.7 | 5.3 | 3.6 | 5.9 |
| Inpatient visits (thousands)[1] | 0.5 | 0.6 | 0.6 | 0.4 | 0.1 | 0.2 |
| Average spending per outpatient visit (RMB) | 681.8 | 1,061.9 | 1,044.9 | 1,034.8 | 1,050.1 | 980.7 |
| Average spending per inpatient visit (RMB) | 11,511.8 | 8,404.7 | 6,277.3 | 5,778.9 | 6,707.4 | 5,481.7 |
| Occupancy rate of registered beds[2] | 15.3% | 13.4% | 10.2% | 11.6% | 6.3% | 4.9% |
| Revenue derived from Datong Hospital (RMB in thousands) | 10,121.0 | 14,239.9 | 12,705.2 | 7,640.7 | 4,751.7 | 7,051.8 |

(1) Include 61, nil, nil and nil inpatient visits of patients referred from the public hospital in the regional medical consortium, with revenue contribution of RMB353.2 thousands, nil, nil and nil in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, accounting for 3.5%, nil, nil and nil of the total revenue derived from Datong Hospital in the same periods, respectively. Save as Datong Hospital in 2020, our other medical institutions did not receive any referral of cancer patients from public hospitals during the Track Record Period.

(2) Calculated as the inpatient bed-days, being the actual number of beds occupied by our inpatients on each day aggregated over the course of the relevant period, divided by the total number of registered beds on each day aggregated over the course of such period, multiplied by 100%.

Datong Hospital recorded a general decrease in occupancy rate of registered beds during the Track Record Period, primarily due to a general decrease in the length of hospitalization for inpatient services. Considering (1) the risk of cross-infection during the provision of inpatient services amid the COVID-19 pandemic, and (2) the decreased average spending for inpatient services for patients covered by the public medical insurance program as requested by Datong Medical Insurance Service Centre when executing the price ceilings of average spending for inpatient services per inpatient visit designated in the public medical insurance agreements in practice in 2021 and 2022, we strategically arranged for more radiation therapy and chemotherapy treatment sessions as part of our daytime outpatient services instead of overnight inpatient services at Datong Hospital in 2021 and 2022. Such arrangement has been contributing to the increase in number of outpatient visits while improving the overall revenue generated from our inpatient and outpatient services at Datong Hospital to the level possible under the impact of public medical insurance price ceilings. As a result, the registered beds of Datong Hospital have been under-utilized beyond the first few years of establishing market recognition since its full operation in 2017 and the COVID-19 pandemic since 2020. We recorded increase in outpatient visits at Datong Hospital from 6.6 thousands in 2020 to 8.9 thousands and 8.7 thousands in 2021 and 2022, respectively, and the increase in revenue generated from outpatient services at Datong Hospital from RMB4.5 million in 2020 to RMB9.4 million and RMB9.1 million in 2021 and 2022, respectively, with moderate decrease in revenue generated from inpatient services at Datong Hospital from RMB5.7 million in 2020 to RMB4.8 million and RMB3.6 million in 2021 and 2022, respectively. We recorded decreases in inpatient and outpatient visits at Datong Hospital in the six months ended June 30, 2023 compared to the same period in 2022, resulting in the decrease in revenue derived from Datong Hospital in the same periods, and decreases in average spending per outpatient and inpatient visit, primarily because (1) we streamlined the staffing at Datong Hospital to optimize its organizational structure, leading to temporary staffing changes and decreased patient service capacity during such adjustments, and (2) Datong Hospital had limited comprehensive treatment capability and surgery expertise to attract patients facing the intensified local market competition, according to the F&S Report.

Datong Hospital also recorded relatively low average spending per inpatient visit in 2021 and 2022, compared to 2020, primarily due to the decreased average spending for inpatient services for patients covered by the public medical insurance program as requested by Datong Medical Insurance Service Centre when executing the price ceilings of average spending for inpatient services per inpatient visit designated in the public medical insurance agreements in practice in 2021 and 2022. See "Risk Factors—Risks Relating to Our Business and Industry—Certain of the medical services and products we provide are effectively subject to regulatory price controls due to our voluntary price-matching policies, which may adversely affect our results of operations."

*Datong Clinic (大同美中嘉和中醫診所)*

Datong Clinic became operational in January 2021. It featured traditional Chinese medicine, acupuncture and fire moxibustion to provide various cancer related conditioning services covering stages from precancerous lesion to post-therapy and post-procedure rehabilitation. Datong Clinic also leveraged expertise in traditional Chinese medicine-based rehabilitation in offering post-operative conditioning services in general and in treating of rheumatic diseases and other painful diseases. We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023. In 2021 and 2022, the number of outpatient visits at Datong Clinic was 1,328 and 527, respectively, the average spending per outpatient visit of RMB214.9 and RMB213.1, respectively, and our revenue derived from Datong Clinic was RMB0.3 million and RMB0.1 million, respectively.

**Our Internet Hospital**

We launched our Internet Hospital in May 2021. Leveraging our rich resources of medical professionals and partnered hospitals, we offer a one-stop portal connecting cancer patients with comprehensive online and offline healthcare resources. Our Internet Hospital enables on-demand healthcare for cancer patients, especially those who received diagnosis or treatment service at our medical institutions in need of post-treatment health management, recovery consultation and periodical examination. Patients can access extensive healthcare resources conveniently through our Internet Hospital's WeChat official accounts and mini-programs, including those who lack access to large, comprehensive hospitals.

We offer integrated online and offline digital medical services that cover the full cycle of cancer care, specifically including the followings.

- *Preliminary consultation and hospital appointment services.* Our medical consultations encompass consultations of a wide range of conditions and cases provided by multi-site practice physicians of us and our partnered hospitals, with a primary focus on cancer-related diseases, to meet increasing needs of patients for preliminary consultation and guidance, as well as post-treatment health management and guidance. In order to smoothen the process for patients to receive health management services, we provide multiple communication formats, such as graphics, video, and telephone calls in Internet Hospital to meet the online communication needs. We also provide our users with hospital appointment and inpatient arrangement services to facilitate patient visits in our medical institutions.

- *Diagnostic interpretation services.* We provide one-on-one diagnosis report interpretation services to users. Physician at our Internet Hospital may be designated by users to access the uploaded diagnosis reports, to interpret the examination perimeters and diagnosis results and to provide consultation and recommend treatment options, so that users can better understand the complicated disease mechanism and treatment options to navigate the enduring treatment process in a prepared state.

- *MDT consultation services.* Our MDT experts assist users who wish to seek a second opinion of physicians other than the one who was previously consulted and obtain more information or perspectives before making the critical medical decisions. We offer a list of experts ranging from our MDT physicians to nationally notable physicians and academicians for patients to choose from, and customize the combination of physician disciplines to best address users' comprehensive needs from diagnosis to post-treatment health management.

- *Health management and oncology-related guidance services*. We provide integrated patient care services through Internet Hospital by maintaining post-treatment follow-on consultations, periodical communications, as well as medication and recovery guidance. To facilitate users' knowledge of cancer treatment and recovery, we also post popular science articles and news of our medical institutions on the WeChat official accounts and mini-programs of Internet Hospital.

Our Internet Hospital generates revenue from individual users and enterprise customers. Individual users who receive healthcare services through our Internet Hospital typically pay the service fee per the specific service provided, through online payment platforms. For the healthcare services that our Internet Hospital provides in collaboration with our offline medical institutions, such as health management services, our Internet Hospital receives fixed rate for the service fees stipulated in our agreements with enterprise customers who purchase our healthcare services for their individual users. The revenue generated by our Internet Hospital from the provision of such services to individual users, either through their own purchase or purchased for them by our enterprise customers, is recognized under our hospital business. We serve individual users directly through our Internet Hospital's WeChat mini-programs with a focus on preliminary consultations and health management. In contrast, the remote medical diagnosis and treatment services provided under our management and technical support are conducted through our cloud platforms and provided indirectly for patients through the joint participation of our partnered hospitals. See "—Our Medical Equipment, Software and Related Services—Sales and Installing of Medical Equipment and Software—Cloud Platform" and "—Our Medical Equipment, Software and Related Services—Management and Technical Support."

In addition, our Internet Hospital also serves enterprise customers directly by providing services such as healthcare consultation services and remote comprehensive support services, the revenue of which is recognized under management and technical support. See "—Our Medical Equipment, Software and Related Services—Management and Technical Support." In 2021, 2022 and the six months ended June 30, 2022 and 2023, the number of individual user visits at our Internet Hospital was 1,148, 895, 375 and 219, respectively, including 358, 326, 160 and 181 individual user visits of our direct service, and 790, 569, 215 and 38 individual user visits from our enterprise customers, respectively, in the same periods. Our revenue generated from Internet Hospital was RMB13.2 million, RMB13.3 million, RMB5.3 million and RMB4.2 million in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, including RMB3.4 million, RMB1.4 million, RMB0.6 million and RMB1.2 million from individual users, respectively, and RMB9.8 million, RMB11.9 million, RMB4.7 million and RMB3.0 million from enterprise customers, respectively. Our revenue generated from Internet Hospital further reach RMB5.4 million (unaudited) in the ten months ended October 31, 2023.

**Case Study**

The following cases illustrate how our patients benefit from our oncology healthcare services.

***Patient Case 1 – MDT practice under international quality control standards***

*Situation*. A male patient aged 33 was diagnosed as Stage IVB adenocarcinoma of left lung with multiple metastases of the brain and bone in November 2019. He had completed whole brain radiation therapy and been undertaking targeted therapy for the lung cancer until July 2021 when he was found with three new cancer lesions on his right frontal lobe with the largest diameter of 1.6 cm. In light of the patient's complicated treatment history and multiple recurrences at different locations within the brain, multidisciplinary expertise with strict quality control standards were vital for optimal treatment.

*Solution*. Different departments of our Guangzhou Hospital jointly reviewed the patient's situation and available treatment options, and decided that an SRT operation would be the ideal treatment despite the significantly heightened requirement for the physicians' operational techniques and quality control standards. Our MDT professionals customized the radiation target delineation and IMRT planning for the patient. After several rounds of check on radiation modeling perimeters, equipment status, patient positioning and treatment stimulation following the guidelines of the NCCN and the CSCO, in August 2021, our physicians successfully performed an SRT operation supported by our IGRT technology for the patient using an accelerator. The patient survived cancer after the treatment. By targeting to achieve control of the cancer with minimized side effect, the patient's quality of life has been effectively improved.

***Patient Case 2 – Diagnostic imaging that detects hidden tumor***

*Situation*. A male patient aged 66 was suffering from back pain but the CT examination at his local hospital failed to locate any tumor. Lung cancer hidden in the hilum area of lungs could easily to be overlooked without advanced diagnostic imaging technology or expertise.

*Solution*. In November 2020, our physicians at Shanghai Imaging Center conducted a whole-body continuous PET/CT scan for this patient to exhaustively detect any hidden tumor. Our Discovery PET/CT 710 equipment is capable of high-resolution and low-dose plain scan and 0.625mm reconstruction of the scanned tissues, which contributes to a clear display of the size, boundary and blood flow of nodules in the scanned area. As a result, our imaging experts found not only the primary tumor in lung but also several bone metastases across the patient's body which are rather difficult to detect without accumulated imaging diagnosis experience, which laid a solid basis for future treatment.

***Patient Case 3 – Breast-conserving surgery that preserves life quality***

*Situation*. A female patient aged 57 had a breast tumor sized 8cm. Her left lung was fully resected due to severe bronchial dilation while her right lung was in poor condition with several lesions, including multiple bronchiectasis and pulmonary bullae. A breast surgery could encounter high anesthesia risk due to her damaged lung function, leading to rupture of pulmonary bullae and potential life-taking respiratory failure.

*Solution*. Our physicians at Guangzhou Hospital invited experts from multiple disciplines, including anesthesiology, intensive care, medical oncology, radiation therapy, diagnostic imaging and other departments for joint consultations and customized the surgery plan for the patient. Although the breast-conserving surgery approach is more demanding compared to a traditional total mastectomy, our experienced multi-disciplinary team is capable of conducting the former despite the patient's complicated condition. Our physicians adopted the breast-conserving surgery approach for this patient, aiming to reduce her body trauma and shorten the recovery time after the surgery, as well as to keep her physical appearance for the consideration of her dignity and life quality when she returns to normal life. On September 27, 2021, our medical professionals successfully completed the surgery, which lasted for only approximately one hour. The breast-conserving surgery not only successfully eradicated the breast tumor, but also preserved her breast tissues and minimized the cutting wound. As a result, she quickly recovered and was discharged from the hospital several days later.

***Patient Case 4 – Precision radiation therapy supported by advanced technologies***

*Situation*. A male patient aged 57 was diagnosed of Stage IIIA lung cancer in 2018. After receiving the combined treatment of radiation therapy and chemotherapy, tumors located in the upper and lower lobes of his right lung disappeared almost completely as shown in the imaging examination. However, in October 2021, cancer recurred in the lower lobe of his right lung. The necessity for a second-time radiation therapy significantly increased the treatment difficulty because re-irradiation to the same site would subject the patients to accumulated toxicity. In addition, there were high risks of normal tissue damages and side effects if the tumor delineation or radiation dose delivery was not precise enough.

*Solution*. Our experienced radiation therapy team at Shanghai Outpatient Center conducted a comprehensive evaluation of the patient's conditions. In order to protect normal organs around the tumor, especially the heart and lungs, from repeated radiation, our medical professionals finalized the hyper-fractionated re-irradiation treatment plan after rounds of calculation and modeling. In addition, we utilized advanced precision radiation therapy equipment to safeguard the whole process. We conducted a series of precision re-irradiation therapy sessions for the patient, which effectively diminished the tumor with no material side effect for the patient. Benefiting from our physicians' operational techniques, the patient's condition was optimized and his quality of life has been effectively improved.

***Patient Case 5 – Convenient whole-process health management***

*Situation*. A male patient was diagnosed of prostate cancer with bone metastasis at his local hospital. The patient came to Shanghai Outpatient Center for a second opinion.

*Solution*. Our medical professionals have been accompanying the patient closely. At each stage of the diagnostic examination process, our physicians and nurses attentively answered questions and provided suggestions to prepare the patient for the following cancer-fighting journey. In March 2021, our MDT experts at Shanghai Outpatient Center invited the patient's previous physicians for a joint online consultation, bringing more convenience and efficiency for the patient's medical experience. After conducting extensive evaluation of the patient's situation, our physicians provided detailed explanation of the examination items and treatment option, enabling the patient to make informed decisions. As the treatment progressed, we again offered an MDT joint consultation in light of the patient's new health conditions. During and after the treatment period, our physician assistants and nurses provided health management service to keep track of the patient's recovery progress. As a result, the patient was able to make informed decisions regarding his treatment plan all along the cancer-fighting process and spoke highly of our patient-oriented services.

## OUR MEDICAL EQUIPMENT, SOFTWARE AND RELATED SERVICES

Leveraging our expertise in cancer treatment and hospital operation accumulated over the years, we have developed an asset-light business model under our medical equipment, software and related services to serve enterprise customers and target hospitals as our end customers, especially those in lower-tier cities beyond the footprint of our self-owned facilities. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we served 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services, respectively. In particular, as of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease.

The development of oncology healthcare in China is subject to the uneven distribution of medical resources, and medical institutions, especially those located in the lower-tier cities, may lack access to quality equipment, professional talents and, mostly importantly, uniform technical standards and operational protocols. We seek to not only equip partnered hospitals with radiation therapy and diagnostic imaging operational capabilities through the supply of advanced medical equipment, but also assist them in achieving well-rounded development on medical technology and operational management. We have strategically accumulated expertise and established a network of industry participants, including medical institutions, research institutes and equipment manufacturers, which laid a solid foundation for our sustainable growth.

In early 2019, we introduced our CSS services as a pilot program to holistically and gradually encompass all the aspects of our medical equipment, software and related services on cloud platforms. Our CSS services evolved along with our technological development and enterprise customers' business demands over the years. We launched Jiahe Yunying Remote Imaging Information Diagnosis Platform in December 2020, and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform in September 2021, which focus on the efficiency and efficacy of cancer treatment. In addition to our cloud platforms used for healthcare services, we have also launched Jiahe Cloud Asset Management Platform in June 2021, an integrated cloud platform to provide a one-stop shop in addressing the evolving operational demands of our enterprise customers.

We supply enterprise customers with a comprehensive portfolio of advanced medical equipment and associated medical consumables required to facilitate the setup or upgrade of their radiation therapy or diagnostic imaging departments. We also provide management and technical support to our partnered hospitals on their oncology medical equipment procured from us under our sales and installing of medical equipment and software business or leased from us under our operating lease arrangements with respect to equipment operation, clinical practice and quality control protocols, medical professional training, and academic research. As an integral part under our medical equipment, software and related services, we provide equipment leasing and comprehensive support services to our partnered hospitals by entering into an operating lease agreement, and sometimes together with a comprehensive support agreement which are either service-only in nature or as part of our full-spectrum solution services. To further increase the oncology healthcare capability of our network, we have integrated our online and offline medical resources into cloud platforms to provide various cloud-based services, which enables remote services. Our enterprise customers are free to choose the entire package or individual modules of our services based on their needs from our service matrix.

We offer a variety of cooperation and pricing arrangements to cater for enterprise customers' various demands. For the sales and installing of medical equipment and software, we typically charge a fixed down payment or a fixed rate service fee. For the partnered hospitals which we provide management and technical support and/or operating lease, we typically charge a fixed service fee or a contracted percentage of revenue generated from the use of our supplied medical equipment or services.

### Sales and Installing of Medical Equipment and Software

We have established business cooperation with hospitals across China by supplying them with a comprehensive portfolio of medical solution, primarily including medical equipment and related operating software, medical consumables, and cloud platforms. We typically charge a fixed down payment for such supply. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue generated from sales and installing of medical equipment and software was RMB26.1 million, RMB217.6 million, RMB179.2 million, RMB27.1 million and RMB104.3 million, respectively. The following table sets forth our revenue generated from sales and installing of medical equipment and software by business sub-segment for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Sales and installing of medical equipment and software** | | | | | | | | | | |
| Medical equipment | 26,129 | 100.0 | 217,276 | 99.9 | 178,798 | 99.8 | 26,766 | 98.7 | 102,992 | 98.7 |
| Cloud platform | — | — | 292 | 0.1 | 354 | 0.2 | 354 | 1.3 | 1,308 | 1.3 |
| **Total** | 26,129 | 100.0 | 217,568 | 100.0 | 179,152 | 100.0 | 27,120 | 100.0 | 104,301 | 100.0 |

The following table sets forth a breakdown of our gross profit and gross margin by business sub-segment under our sales and installing of medical equipment and software business for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Sales and installing of medical equipment and software** | | | | | | | | | | |
| Medical equipment | 9,327 | 35.7 | 17,858 | 8.0 | 13,286 | 7.0 | 652 | 2.4 | 9,369 | 9.0 |
| Cloud platform | — | — | 230 | 79.0 | 177 | 50.0 | 177 | 50.0 | 0.4 | 0.0 |
| **Total** | 9,327 | 35.7 | 18,088 | 8.3 | 13,463 | 7.5 | 829 | 3.1 | 9,369 | 9.0 |

Our gross margin for both medical equipment and cloud platform generally decreased from 2020 to 2022, primarily because we strategically promoted our sales and installing of medical equipment and software at a relatively low gross margin level to acquire new enterprise customers. Our gross margin for sales of medical equipment increased in the six months ended June 30, 2023 compared to the same period in 2022, primarily because we supplied more large-scale medical equipment with relatively higher gross margin along with our business and recovery from the impact of the COVID-19 travel restrictions on the logistics for large-scale medical equipment delivery, installation and acceptance. Our gross margin for cloud platform decreased in the six months ended June 30, 2023 compared to the same period in 2022 primarily due to the change in cloud platforms offered. As the business scale of our cloud platform was relatively small where the profit margin of a single or several contracts are more likely to cause fluctuations in the overall profit level.

Medical equipment, software and related services have been our legacy business for over a decade. Evolving along with the industry and customer needs, our medical equipment, software and related services thrived from medical equipment leasing and management services to include sales and installing of medical equipment and software business, aiming to supply enterprise customers with a comprehensive portfolio of advanced medical equipment and associated medical consumables required to support the setup or upgrade of medical institutions. Despite its decreased gross margin in recent years, we value our accumulated industry know-how, market recognition and business relationships established through our continuous efforts in sales and installing of medical equipment and software business cultivation, which laid a solid foundation for the holistic growth of our business. Our long-term strategy is to acquire new enterprise customers and target hospitals as our end customers, by supplying them with medical equipment and assisting them in achieving well-rounded development on medical technology and operational management by providing comprehensive support services. At the current stage, we plan to promote our sales and installing of medical equipment and software business with the priority of enhancing our brand awareness and expanding our customer network, instead of maintaining high gross profit margins, in order to achieve synergistic effect with all of our business segments and penetrate into more regional markets for an expanded network of customers and target hospitals, which is expected to benefit our business in the long run.

Specifically, we constantly enhance our ability to provide a broader selection of sales and installing of medical equipment and software for enterprise customers and target hospitals, aiming at increasing customer stickiness and repurchase. During the Track Record Period, among our sales and installing of medical equipment and software customers totaling seven, 44, 29 and 19 in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, four, 10, 13 and four of them were repeat customers in the same periods, respectively, contributing to 97.9%, 49.8%, 73.1% and 71.4% of the revenue generated from sales and installing of medical equipment and software in the periods, respectively. The following table sets forth the details of repeat customers for our sales and installing of medical equipment and software.

| | Revenue | Types of medical equipment provided |
|---|---|---|
| | (RMB in thousands) | |
| ***For the year of 2020*** | | |
| Repeat Customer A [(1)] | 10,475 | Ventilators |
| Repeat Customer B | 11,062 | 64-row CT and flat-panel digital radiography equipment and others |
| Repeat Customer C | 44 | Color ultrasound equipment |
| Repeat Customer D | 3,989 | Medical consumables |
| **Total** | **25,569** | |
| ***For the year of 2021*** | | |
| Repeat Customer B | 16,121 | X-ray CT equipment |
| Repeat Customer C | 10,165 | X-ray CT equipment, medical angiography X-ray system and medical MRI system |
| Repeat Customer D | 6,124 | Medical consumables |
| Repeat Customer E | 9,007 | Surgical shadowless lamp and others |
| Repeat Customer F | 57,609 | Endoscopic surgical control system and accessories, and medical angiography X-ray system |
| Repeat Customer G | 1,325 | Medical consumables |
| Repeat Customer H | 1,701 | Ultrasonic color Doppler system, ventilators, anesthesia machine, and others |
| Repeat Customer I | 1,239 | X-ray CT equipment and others |
| Repeat Customer J | 18 | Physiological parameter measurement device |
| Repeat Customer K | 5,028 | Anesthesia machines and others |
| **Total** | **108,338** | |

| | Revenue (RMB in thousands) | Types of medical equipment provided |
|---|---|---|
| ***For the year of 2022*** | | |
| Repeat Customer A | 13,447 | PET-CT |
| Repeat Customer B | 6,195 | Cardiopulmonary centrifugal pump |
| Repeat Customer C | 3,035 | Physical examination integrated simulation system and others |
| Repeat Customer D | 629 | Medical consumables |
| Repeat Customer E | 20,509 | Surgical shadowless lamp and others |
| Repeat Customer F | 57,479 | Endoscopic surgical control system and accessories, linear accelerator and medical MRI systems |
| Repeat Customer I | 2,195 | X-ray CT equipment and others |
| Repeat Customer H | 899 | Digital gastrointestinal X-ray system, infusion pumps and others |
| Repeat Customer J | 28 | Physiological parameter measurement device |
| Repeat Customer K | 22,487 | CT equipment, ultrasonic color Doppler systems and surgical beds |
| Repeat Customer L | 3,646 | Mobile C-arm X-ray machines and shadowless lamps and others |
| Repeat Customer M | 65 | Physiological parameter measurement device and software system |
| Repeat Customer N | 265 | Physiological parameter measurement device |
| **Total** | **130,879** | |
| ***For the six months ended June 30, 2023*** | | |
| Repeat Customer C | 27,419 | CT equipment, endoscopic surgical control system and accessories |
| Repeat Customer F | 46,803 | X-ray CT equipment, endoscopic surgical control system and accessories, and color ultrasound diagnostic systems |
| Repeat Customer M | 58 | Physiological parameter measurement device |
| Repeat Customer N | 212 | Physiological parameter measurement device |
| **Total** | **74,491** | |

(1) Repeat customer refers to the customer in the year/period who made more than one purchase since 2019 and during the Track Record Period, including the customer who made more than one purchase within a given year/period during the Track Record Period.

Furthermore, we also believe new business opportunities with relatively higher gross margin may continuously emerge after we begin to serve an expanded customer base along with our customer acquisition efforts. Specifically, new business opportunities may emerge along with the equipment supply, including demands for equipment repair, maintenance and upgrade, or our cloud platform services for customized and digitalized services, thereby creating strong customer stickiness for our management and technical support services on a continuous basis, due to the relatively high switching cost. For instance, we supplied head gamma knife to Rugao Bo'ai Hospital in Nantong, Jiangsu province, who has been our partnered hospital for years. Following our sales and installing of medical equipment and software, we have been providing comprehensive support services for Rugao Bo'ai Hospital by undertaking the repair and maintenance of such medical equipment, providing technical training, operational guidance services and medical technology support, as well as remote radiation therapy services through our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. See "Business—Our Medical Equipment, Software and Related Services—Case Study." In addition, we have also been collaborating with a partnered hospital in Zibo, Shandong province since 2019 by providing equipment leasing of a set of linear accelerator and comprehensive support services based on such equipment.

Our achievements in cloud platform development and application in recent years have strengthened our capability in providing cloud-based services, facilitating our strategy to gradually upgrade our medical equipment, software and related services from the asset-heavy model of medical equipment leasing to the asset-light model where we can serve a broader network of customers and target hospitals more efficiently. For instance, our Jiahe Yunying Remote Imaging Information Diagnosis Platform and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform were shortlisted for 5G+ medical and health application pilot projects in the 5G+ Medical and Health Application Pilot Project List (5G+醫療健康應用試點項目名單) announced by the MIIT in August 2021, which we believe will contribute to our market recognition in providing cloud-based services. In particular, we further expanded our services to include management and technical support services conducted through our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. We have been providing, among others, remote diagnostic result consultation, remote radiation therapy target delineation, radiation modeling and plan customization, and quality control services for such hospital. In recent years, we encountered expiration of some long-established management and technical support agreements with large-sized public hospitals in lower-tier cities, which contributed to the decreases in revenue generated from, and the gross profit margin for, management and technical support in the corresponding year/period. See "Financial Information—Period to Period Comparison of Results of Operations." We did not renew such agreements considering that the customers have achieved their goals to improve their medical and operational capabilities benefited from our years of comprehensive support. Instead, we believe such customers' business demands have risen above the initial business development stage and reached the stage for further enhancing their expertise. Thus, we plan to pursue to enter into new service agreements with them, as well as new customers, to provide customized services based on their current demands, such as our newly introduced cloud platform services, software development services and healthcare consultation services through Internet Hospital.

We believe that our current efforts in both expanding our sales and installing of medical equipment and software, and upgrading our management and technical support services, work in tandem to excavate broader market potentials for our business in the long run. Accordingly, we strategically promoted our sales and installing of medical equipment and software with fairly low price in general to acquire new customers with the purchase potential to bring continuous follow-up business opportunities such as cross-selling opportunities in sales of medical equipment or further demands in our management and technical support services with relatively higher gross margin. See "—Medical Equipment." We believe our customers for medical equipment and software are willing to subsequently procure our management and technical support services, primarily because (1) such customers have trust in us for meeting their demands for equipment repair, maintenance and upgrade after our equipment supply, as we have accumulated over a decade's experience in serving nearly 200 radiotherapy and oncology departments of domestic medical institutions through medical equipment leasing and management services, and (2) we have greater understanding of such customers' specific demands in medical equipment operation, leveraging our know-how of medical equipment operation and clinical practice accumulated through our operation of self-owned medical institutions, and (3) our efforts in moving our management and technical support services online to our Jiahe Cloud Asset Management Platform, with synchronized digital records of and access to equipment operating status, maintenance progress and performance analysis for improved efficiency, meet our customers' evolving business demands. During the Track Record Period, among hospitals that we supplied medical equipment and software to (through either direct sales or sales to distributors), two hospitals have reached management and technical support agreements with us with revenue generated as detailed below, two hospitals have reached strategic cooperation agreements with us for future management and technical support services, and another four hospitals have became our 5G+ Remote Diagnostic Application Pilot Entities that deployed Jiahe Yunying Remote Imaging Information Diagnosis Platform. However, it takes time for us to discover and cultivate new business opportunities in the service realm compared to the sales realm. Medical institutions, especially those in lower-tier cities, would develop their medical capacities step-by-step, according to the F&S Report. Their demands for medical equipment and consumables emerge at the initial business development stage and continue throughout their business cycle, while demands for professional management and technological support may only emerge after deployment of rather advanced medical equipment when they seek to further enhance their operational expertise, according to the same source.

The following table sets forth the details of overlapping customers that we supply medical equipment and software under our sales and installing of medical equipment and software business, and serve under our management and technical support business.

| | Revenue generated from sales and installing of medical equipment and software (RMB in thousands) | Types of medical equipment provided | Revenue generated from management and technical support (RMB in thousands) | Content of services provided |
|---|---|---|---|---|
| ***For the year of 2020*** | | | | |
| Overlapping Customer A[(1)] | — | None | 695 | Cloud platform service and comprehensive support service |
| **Total** | **—** | | **695** | |
| ***For the year of 2021*** | | | | |
| Overlapping Customer A | 10,976 | Gamma knife equipment | 1,065 | Cloud platform service and comprehensive support service |
| Overlapping Customer B | 5,028 | Anesthesia machine and other medical equipment | — | None |
| **Total** | **16,005** | | **1,065** | |
| ***For the year of 2022*** | | | | |
| Overlapping Customer A | — | None | 914 | Cloud platform service and comprehensive support service |
| Overlapping Customer B | 22,487 | CT equipment, surgical beds, and other medical equipment | 1,203 | Cloud platform service |
| **Total** | **22,487** | | **2,118** | |
| ***For the six months ended June 30, 2023*** | | | | |
| Overlapping Customer A | — | None | 371 | Cloud platform service and comprehensive support service |
| **Total** | **—** | | **371** | |

(1) Overlapping customer refers to the customer who is the customer for both our sales and installing of medical equipment and software business as well as our management and technical support business during the Track Record Period.

Since 2019, we developed our sales and installing of medical equipment and software business and expanded our customer base primarily by carrying out the following strategies.

- *Comprehensive expansion strategy*. We greatly expanded our customer base for sales and installing of medical equipment and software from seven in 2020 to 44 in 2021, primarily through (1) our efforts in establishing a strong and mature customer acquisition team, (2) our enhanced marketing efforts in actively organizing or participating national, provincial, or municipal radiotherapy or imaging academic or industry conferences, and (3) our upgrades for our cloud platforms to meet varying customer needs.

- *Customer acquisition team*. We established strong customer acquisition team with experience in the customer acquisition for our sales and installing of medical equipment and software. Our customer acquisition team expanded from 37 personnel as of December 31, 2020 to 51 as of June 30, 2023. The key personnel in our customer acquisition team includes Mr. LI Naxin, who has over 20 years of experience in healthcare service industry and sales and marketing.

- *Effective customer acquisition channels*. Our customer acquisition personnel communicate with potential and existing customers to understand their demands and promote our sales and installing of medical equipment and software. In 2020, 2021, 2022 and the six months ended June 30, 2023, our customer acquisition personnel acquired three, eight, 11 and eight new hospitals for sales and installing of medical equipment and software, respectively. We also rely on word-of-mouth referrals from our existing customers and collaboration parties to attract new customers. In 2021, 2022 and the six months ended June 30, 2023, we also obtained 13, seven and five new hospitals for sales and installing of medical equipment and software through referrals, respectively.

- *Sophisticated operation know-how for medical solution accumulated from hospital business and our medical equipment leasing and management services*. Our know-how of medical equipment operation and clinical practice, accumulated through our operation of self-owned medical institutions and our over a decade's experience in serving nearly 200 radiotherapy and oncology departments of domestic medical institutions through medical equipment leasing and management services, enhanced our capability in providing related medical equipment and software to our partnered hospitals.

***Medical Equipment***

As a typical way to establish cooperation with our enterprise customers and target hospitals (who are our end customers that we supply medical equipment through distributors), we supply them with medical equipment purchased from renowned medical equipment manufacturers or distributors. Leveraging our long-term collaboration with our supplier partners and accumulated industrial experience, we have access to sufficient supply of high-quality medical equipment and consumables at competitive prices. By matching the needs of our target hospitals and enterprise customers with supplies available at our partner medical equipment companies and other upstream suppliers, we can, directly or through our distributors, provide target hospitals and enterprise customers with an extensive offering of medical equipment and consumables.

In particular, we provide various medical equipment, primarily including (1) large-scale medical equipment such as accelerators, gamma knife systems and CT systems, to help them establish their oncology departments, radiation therapy centers and diagnostic imaging centers, and (2) other medical equipment and consumables, such as digital X-ray camera systems, ultrasound systems and surgical guidance systems, to meet customers' demands in various aspects. We also supply the related operation software systems for such equipment to facilitate target hospitals' efficient operation of such medical equipment. Per their business demands, we may also further provide them with one-stop management and technical support services, primarily including equipment management, technical training and operational guidance services as well as medical technology support for their better utilization of the equipment. See "—Management and Technical Support."

The gross margins for our sales of medical equipment, even of similar type, varied among different customers and target hospitals depending on multiple factors, primarily including, among others, our business strategy, overall business arrangement with the specific customer or target hospital, local market conditions, as well as the specific brands, supply sources and configurations of the medical equipment associated with our cost of sales. Generally, we would prioritize expanding our customer network in China, especially in the regions where we have previously accumulated experience and connections, compared to achieving high gross profit margins, as part of our business strategy at the current stage to enhance our market recognition to lay a solid foundation for the holistic growth of our overall business in the long run. In addition, for sales of medical equipment to the hospitals with future cross-selling opportunities or further demands in our management and technical support services, we may proceed with the sales at relatively low gross margin aiming to establish strong customer stickiness and long-term business relationship. Even through we collect demands from enterprise customers and target hospitals, source corresponding medical equipment and then onsell as an intermediary, we emphasize on the strategic value of target hospitals to our overall business and may proceed with the sales at a gross loss margin aiming to develop other cooperation opportunities in terms of sales, services or medical research with the hospitals. Thus, the premium that we charge for each sales of medical equipment is rather flexible, leading to gross loss for certain transactions from time to time. According to the F&S Report, the gross margin range for sales of medical equipment by intermediaries such as our Group is relatively large, with an industry average ranging from negative 10% to 60% varying among different market participants. During the Track Record Period, our gross margins for sales of medical equipment were generally in line with the industry range, according to the same source, as we only had two medical equipment sales at a gross margin below the industry range. One medical equipment sales incurred in 2021 with gross loss of RMB2.6 million, for which we recognized revenue of RMB11.0 million, accounting for approximately 5.0% of the total revenue generated from our sales and installing of medical equipment and software and in the same year. In specific, the relatively low gross margin for this sales was primarily due to the target hospital's unique business value to us. The target hospital of this sales has been our partnered hospital for years, who not only purchased medical equipment from us, but also established long-term relationship with us through multi-dimensional cooperation. Specifically, following our supply of medical equipment, we have also been providing comprehensive support services as well as remote radiation therapy services through its Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform for it. Considering the cross-selling opportunities in management and technical support segment with higher gross margin, as well as the strong customer stickiness and long-term business relationship to emerge after sales to this partnered hospital, we decided to proceed with the sales at a gross loss margin below industry average. The other medical equipment sales incurred in 2021 with gross loss of RMB73,000, for which we recognized revenue of RMB0.2 million, accounting for less than 0.1% of the the total revenue generated from our sales and installing of medical equipment and software and in the same year. In specific, this sales was conducted by Beijing Healthingkon to sell the spare chips purchased to use in its products (such as smart health workstations) at discount. In addition, during the Track Record Period, among all of our medical equipment sales, five transactions in 2021 and two transactions in the six months ended June 30, 2023 incurred gross loss, and revenue attributable to these sales with gross loss was RMB47.1 million and RMB12.2 million in the same year/period, respectively, accounting for 21.6% and 11.7% of the total revenue generated from our sales and installing of medical equipment and software in the same year/period, respectively.

***Cloud Platform***

We offer a portfolio of cloud platforms to provide customized services including primarily digitalized processing of diagnostic imaging results; remote consultation, radiation modeling, therapy customization and quality control; supply-chain management; and joint research, training and technical support, assisting hospitals in providing a full spectrum of cancer diagnosis and treatment services to their patients. We serve hospitals through the cloud platforms primarily in three scenarios: (1) collaboration within each hospital to enable the cross-department joint consultations and clinical practice management with a shared digital cloud platform; (2) collaboration between such hospitals and their partnered medical institutions in the regional market or across China to enable the cross-hospital remote cancer care and joint scientific research; and (3) collaboration between such hospitals with our medical institutions to offer various cloud-based consultation and management services.

We have customized our cloud platforms for hospitals to ensure the cohesion with the various brands of medical equipment and their operating systems. For instance, our Jiahe Yunying Remote Imaging Information Diagnosis Platform can be deployed seamlessly within the system maintained at our enterprise customers to facilitate the operation of imaging equipment to realize cloud storage and remote processing. We have expanded the footprint of our remote diagnosis and treatment services by offering enterprise customers integrated management and technical support. As a result, we can leverage our long-term collaboration and established mutual trust with our supplier partners and translate them into stronger bargaining power in promoting our medical equipment, software and related services.

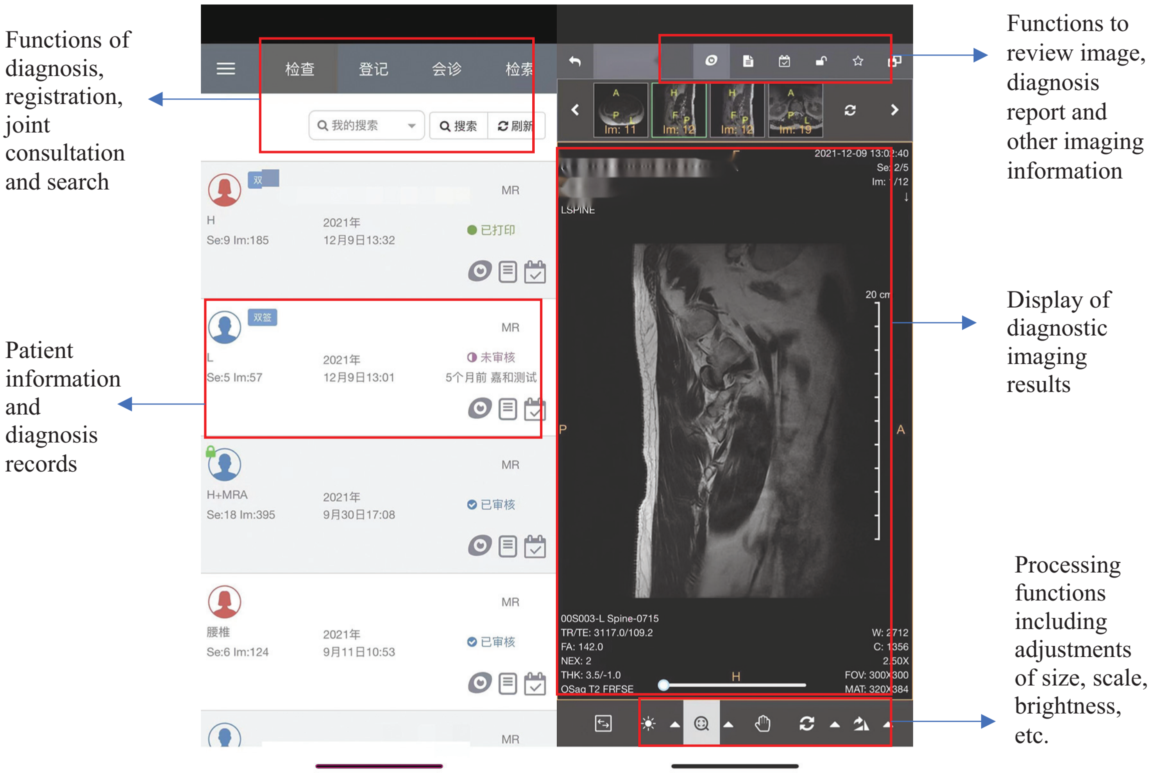
Specifically, our Jiahe Yunying Remote Imaging Information Diagnosis Platform, launched in December 2020, and, enables digitalized display, storage, transmission and processing of diagnostic imaging results. Our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform, launched in September 2021, enables remote radiation therapy target delineation, radiation modeling, joint consultation, plan customization and quality control. Notably, our Jiahe Yunying Remote Imaging Information Diagnosis Platform and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform were shortlisted for 5G+ medical and health application pilot projects in the 5G+ Medical and Health Application Pilot Project List (5G+醫療健康應用試點項目名單) announced by the MIIT in August 2021.

We participate in the formulation of several national radiation therapy industry standards, which is expected to drive the expansion of our customer network and improve the radiation treatment efficacy of numerous institutions in lower-tier cities. In February 2022 and June 2023, we were elected by National Cancer Center of China to become an editor for the formulation of the 2021 version and 2023 version of National Standard of Radiation Therapy Quality Control Guidelines (國家腫瘤質控中心放療質控指南). We have, accordingly, initiated three national standard formulation projects to develop Radiation Therapy Data Validation Quality Control Practice Guidelines (放射治療數據審核質量保證實踐指南), Development Guidelines for the 5G-based Remote

Radiation Therapy Plan Design, Implementation and Quality Control Platform (基於5G 的遠程放療計劃設計、實施與質控平台建設指南) and Practice Guidelines for Total Skin (E-beam) Irradiation Technology (全皮膚(電子束)照射技術實踐指南).

*Jiahe Yunying Remote Imaging Information Diagnosis Platform*

Our Jiahe Yunying Remote Imaging Information Diagnosis Platform enables remote diagnosis supported by the functions of digitalized display, storage, transmission and processing of diagnostic imaging results through omni-channels. The platform enables physicians of our own and other medical institutions to jointly review the patient's diagnostic imaging results online to facilitate more accurate and efficient diagnosis, saving the local patient's time and money of traveling to first-tier cities. By doing so, it enables access to diagnostic imaging services in lower-tier cities beyond the reach of our owned facilities, and alleviate the uneven distribution of critical healthcare resources in China. The following screenshot illustrates the omni-channel interface of Jiahe Yunying Remote Imaging Information Diagnosis Platform, through which physicians can access the platform from our website, WeChat mini-program and official account.

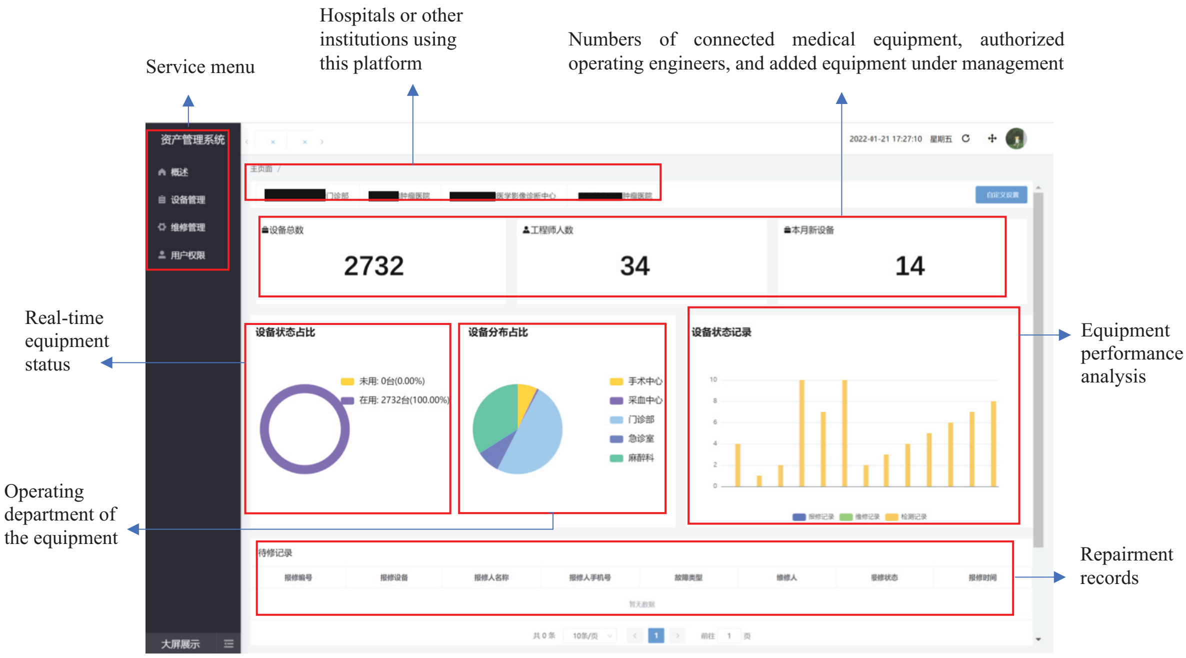



As of June 30, 2023, we had deployed Jiahe Yunying Remote Imaging Information Diagnosis Platform in 43 medical institutions in China, for instance, in Luoyang city and Sanmenxia city in Henan province, Wuhai city in Inner Mongolia Autonomous Region, and Liangshan city in Sichuan province.

*Jiahe Cloud Asset Management Platform*

We have been gradually switching our management and technical support service from offline to our Jiahe Cloud Asset Management Platform to provide one-stop supply-chain management services with improved efficiency and reduced costs. We launched Jiahe Cloud Asset Management Platform in June 2021. Our Jiahe Cloud Asset Management Platform enables efficient online medical equipment management, primarily including three aspects: the management of equipment inventory, repairment schedule, and operating staff.

Our Jiahe Cloud Asset Management Platform provides an overall interface displaying the real-time information of all the connected medical equipment, its performance analysis and authorized operating staff. Authorized operating staff can access the interface through our software. The following screenshot illustrates the interface outlook of Jiahe Cloud Asset Management Platform.



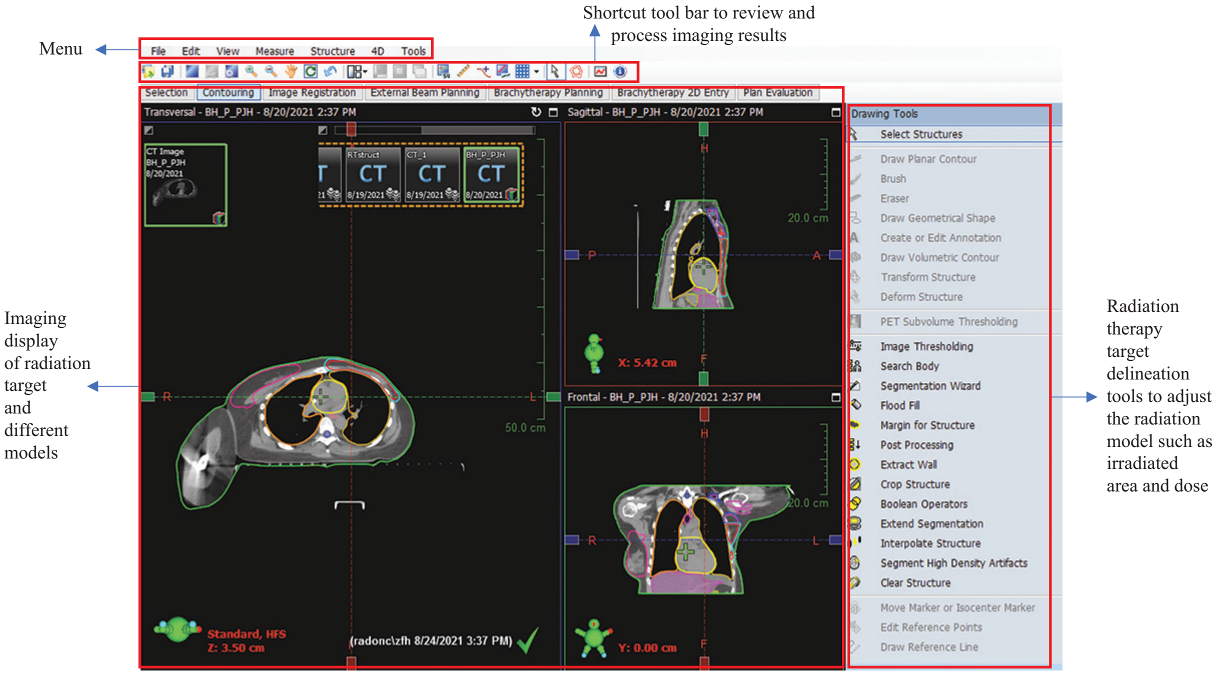

To start the management process, authorized operating staff can elect to add the certain equipment by inputting the equipment information, such as its category, name, manufacturer and procurement information. After connecting with the equipment, authorized operating staff can search for such equipment with filters of operating department, equipment status and other information. Our Jiahe Cloud Asset Management Platform also monitors the real-time status of such equipment and allows access to its detailed information and repairment records so that our enterprise customers can efficiently keep track of a large amount of equipment of different types, locations, departments and status at the same time through simple clicks on the computer.

Once a repairment in need is identified, our Jiahe Cloud Asset Management Platform enables online repairment application through mobile devices. We provide omni-channel access to our enterprise customers to add and manage authorized operating staff who can log into our system with their designated account information through our WeChat access. After receiving the application on the phone, the responsible engineer can also examine the equipment status, calibrate the equipment and report the repairment result directly through our WeChat portal. Our Jiahe Cloud Asset Management Platform supports just-in-time monitoring of equipment inventory, repairment schedule, and operating staff, optimizing the management efficiency of our enterprise customers while decreasing their administration and labor costs.

*Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform*

Our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform is an online and offline integrated service system leveraging the clinical suggestions of our medical experts and utilizing our accumulated radiation therapy experience and internationally cutting-edge quality control standards. We provide remote radiation therapy target delineation, joint consultation, radiation modeling and plan customization, and quality control services to hospitals through this platform with omni-channel access. We customize the platform based on the hospitals' radiation therapy equipment and treatment planning systems and their specific server and cloud structuring preference, to enable optimal compatibility.

Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform assists hospitals who wish to achieve remote radiation therapy collaboration with their partnered hospitals and with our medical institutions. We connect our radiation therapy experts with the medical professionals at hospitals by providing remote radiation therapy target delineation, joint consultation and radiation modeling services through the cloud platform, which enable patients to enjoy remote radiation therapy treatment plan customization and consultation based on world-class expertise. For instance, our physicians, therapists and physicists can communicate with the local physicians in an online video conference through their mobile devices to review the digitalized diagnostic imaging results, as illustrated in the screenshot below, assist in the radiation target delineation and advise on the specific radiation dose and angle for a cancer patient.




In addition, we provide remote consultation and management services to hospitals in lower-tier cities regarding the quality control standards and risk management protocols of their radiation therapy department, leveraging our experience in international radiation therapy standards. For instance, we provide and calibrate a comprehensive set of quantitative evaluation perimeters for the radiation dose, field, coverage, heterogeneity and adjacent organs for hospitals in their radiation therapy treatment operations. We also conduct periodical remote peer-to-peer review to hospitals to ensure their compliance with our guidelines. Thus, the platform has created an integrated solution for medical institutions to make full use of their medical resources, and improve the overall radiation therapy treatment quality level of local hospitals and physicians.

As of June 30, 2023, we had deployed Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform in four hospitals in Rugao city in Jiangsu province, Zibo city and Zaozhuang city in Shandong province, and Xiamen city in Fujian province.

*Key terms of our cloud platform agreements*

Our cloud platform agreements can be categorized into (1) sales agreements with enterprise customers regarding the supply, deployment, and complementary training and maintenance services of our cloud platforms (the "Cloud Platform Sales Agreement"), the revenue from which is recognized under the sales and installing of medical equipment and software of our medical equipment, software and related services; and (2) service agreements under which we provide remote oncology healthcare, maintenance and technical support services through our cloud platforms (the "Cloud Platform Service Agreement"), the revenue from which is recognized under the management and technical support of our medical equipment, software and related services. See "— Management and Technical Support." We serve hospitals with existing collaborative relationships developed through other aspects of our business, who seek to further streamline and digitalize their operations.

The key terms of our cloud platform agreements are as follows.

- ***Terms and renewal***. Our Cloud Platform Service Agreements typically have a term from one to eight years. Our Cloud Platform Sales Agreements are for the one-time sales and deployment of the cloud platforms, and we are generally required to provide maintenance services for the same period as the established agreements of management and technical support services and/or operating lease arrangements. The agreements are renewable based on mutual consents.

- ***Rights and obligations***. Under our Cloud Platform Service Agreements, after receiving the appointment invitation sent from the hospital through the cloud platform, we are obligated to arrange medical professionals to provide remote services, including, among others, remote diagnostic result consultation, remote radiation therapy target delineation, radiation modeling and plan customization, quality control, training and joint research services. The hospital shall provide us with access to the patient's medical information after receiving the patient's authorization. The hospital also has the right to refer their patients to our medical institutions for proton therapy services on a priority basis. In addition, we also provide maintenance and technical support services through our Jiahe Cloud Asset Management Platform based on the function modules specified in the agreement. Under the Cloud Platform Sales Agreements, we supply the hospital with one or several units of cloud platform software systems and often with the complementary servers, operating systems and medical consumables. We are generally responsible for the deployment of the cloud system and the follow-on maintenance.

- ***Pricing and credit term***. Under our Cloud Platform Service Agreements, for the remote oncology healthcare services, we typically charge an amount with a fixed unit price based on the type and complexity of the remote diagnostic consultation and radiation therapy treatment service multiplying by the number of patient cases involved over the period, plus certain service fee for other comprehensive services under the agreement. For the remote maintenance and technical support services, we typically charge a fixed price based on the cloud platform's functions and number of accessible end-users made available to such enterprise customer under the agreement. The revenue generated from the provision of such services is recognized under our revenue generated from management and technical support. See "—Management and Technical Support" and "—Fee Model under Medical Equipment, Software and Related Services." We settle the payment with enterprise customers on a monthly basis or within one year after conclusion of our services. For our Cloud Platform Sales Agreements, we typically charge a fixed down payment from the hospital with a typical credit term of up to seven days, which typically is partially paid upon acceptance of the cloud systems and in installments for the balance of the total amount from three months to six years. The revenue generated from sales of cloud platform is recognized under our revenue generated from sales and installing of medical equipment and software. See "—Fee Model under Medical Equipment, Software and Related Services."

- ***Intellectual property***. The intellectual property arising out of the use of our cloud platform agreements shall be jointly owned by both parties, while each party shall refrain from usage of the other party's trademarks, copyrights or other intellectual properties.

- ***Confidentiality***. Both parties are typically obligated to maintain the confidentiality of the patient information and medical history, as well as the business plans, business secrets and business operations involved when performing the agreements.

- ***Termination***. If there is any material breach of obligation, the non-defaulting party may terminate the agreement upon written notice if the defaulting party cannot cure the breach after being notified with two written notices. The Cloud Platform Sales Agreements are generally terminated after completion of the deployment of the cloud systems.

*AI-enabled applications*

Beijing Healthingkon, one of our AI-orientated subsidiaries, has been developing a head MRI AI engine. Supported by the AI engine, our cloud medical diagnostic imaging system, Jiahe Yunying Remote Imaging Information Diagnosis Platform, is expected to utilize the technologies of imaging analysis and NLP to assist in tumor lesion classification, lesion detection and lesion segmentation. Furthermore, our AI technologies, with the NLP analytical ability to process the information of multiple sources and formats, would support our hospitals, medical professionals and customers in improving diagnosis efficiency and reducing medical costs through the methods of machine-learning.

We expect to launch our AI-enabled products to customers to satisfy their needs of efficient detection of key indicators for a variety of common and chronic diseases. We have launched our proprietary smart health workstation which has obtained the registration certificate for Class II medical device covering key indicators of a variety of common and chronic diseases. Our smart health workstation is also available for household use with the ability to analyze tongue images, blood pressure, blood sugar, body fat and heart rate to individual customers. In May 2020, Beijing Healthingkon was certified by China Academy of China Medical Sciences (中國中醫科學院) for its AI-driven Traditional Chinese Medicine Tongue Diagnosis technology ensuing the application of AI engine. As recognition of its technological achievements, Beijing Healthingkon was proposed as one of the Technologically Advanced Small and Medium-sized Enterprises ("專精特新中小企業") by the Beijing Municipal Bureau of Economy and Information Technology in January 2022, which is expected to bring governmental support of clinical research and marketing for its development.

**Management and Technical Support**

We provide management and technical support services to partnered hospitals either under comprehensive support services arrangements, or under the service-only agreements with a shorter term related to our cloud platforms or our offline service to partnered hospitals. We receive either a fixed fee or a percentage of contracted percentage of the revenue net of specified operating expenses of the partnered hospitals. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue generated from management and technical support services was RMB37.2 million, RMB64.6 million, RMB53.1 million, RMB22.5 million and RMB12.0 million, respectively.

We typically provide equipment management, technical training and operational guidance services as well as medical technology support for the partnered hospitals regarding their own large-scale medical equipment pursuant to our comprehensive support services arrangements to enhance their overall medical capability. The medical equipment used in our partnered hospitals is highly complex, the malfunction of which could cause operational disruption of the oncology departments of our partnered hospitals. We aim to ensure the steady operation of such medical equipment by providing equipment management services, primarily including training of the equipment operation staff, equipment status monitoring, malfunction alert and maintenance. The contracted percentage charged for such comprehensive support services from the partnered hospitals regarding their usage of the large-scale medical equipment typically ranges from 50% to 90% of the relevant revenue net of specified operating expenses of the partnered hospitals, and is typically adjusted based on a declining scale over the term of the arrangement. Our comprehensive support service agreements are generally long-term in nature with the term of around 10 years and no automatic renewal arrangement. Our services are primarily paid on a monthly basis. The partnered hospitals are required to pay the said amount through wire transfer to our designated bank account before or within certain business days within each month's designated settling date. Generally, if the payment is not made on time, we will issue the default fees to the customers at 0.5‰ of the total amount per day. If any material breach of contract occurs, the non-breaching party may terminate the agreement and the breaching party shall pay the damages for breach of contract. Our service-only agreements to provide online remote service through Internet Hospital or cloud platforms generally have a shorter term ranging from one to three years with no automatic renewal arrangement. Under our offline maintenance and technical support agreements, we provide maintenance and technical support services to the partnered hospital for its designated medical equipment both on a regular basis and on an as-need basis per service demands received from it. The partnered hospital is either required to pay an installment with several months after entering into the agreement and the following installments upon designated maintenance milestones, or on a regular basis, such as per year with quarterly settlement. Under our agreements for healthcare consultation service through Internet Hospital, we provide remote consultation services based on the patient information materials provided by the partnered hospital. The partnered hospital is required to pay us service fees on a monthly basis. Neither party may disclose to any third party the information obtained during the services except as otherwise required by laws and regulations.

We also provide enterprise customers software development services, primarily including the development and deployment of sales, supply chain and quality control management systems, of their choosing. Prior to mid 2021, our research and development team mainly focused on the development of our internal software systems, and launched our internal business operation analysis system, the outpatient patient service system for Shanghai Outpatient Center and the information system for Guangzhou Hospital. Following the completion of such projects and the commencement of Guangzhou Hospital, we gradually started to also undertake external software development projects, in addition to serving our internal medical institutions, aiming to leverage our expertise to upgrade our management and technical support business and enhance our business competitiveness. Our software development agreement terms vary based on the development plan, typically with a period of approximately one year. We receive a fixed service fee based on consideration of various factors, primarily including the specific service demands, technical difficulty, software framework maturity, expected project timeline and staffing costs.

The service fee shall be paid by installment upon reaching the designated development milestone in the agreements. Neither party may disclose to any third party the information obtained during the services except as otherwise required by laws and regulations. We also connect our partnered hospitals with equipment manufactures to efficiently solve specific technical problems. Since we began to provide software development services in 2021, we had nine, 18, six and three software development projects in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The increase from 2021 to 2022 was primarily because of our efforts to upgrade our management and technical support services. The decrease in the six months ended June 30, 2023 compared to the same period in 2022 was primarily because our research and development efforts focused more on internal development projects related to radiation therapy quality control, which will be deployed in our self-owned medical institutions first to enhance our operational efficiency as well as for trial use in preparation for the future introduction to the market after accumulating successfully internal records, and we decided to take less external software development projects in the meantime. For instance, we have deployed a self-developed radiation therapy quality control software in Shanghai Outpatient Center in 2023 for trial use to lay a solid foundation for future market introduction.

As our business grows, we are in the process of moving our technical support services online to our Jiahe Cloud Asset Management Platform, with synchronized digital records of and access to equipment operating status, maintenance progress and performance analysis for improved efficiency. We also provide remote medical treatment and consultation services based on our cloud platforms under our Cloud Platform Service Agreements. Pursuant to such agreements with partnered hospitals, we arrange for medical professionals to provide remote services to our partnered hospitals regarding the patient cases designated by them, including, among others, remote diagnostic result consultation, remote radiation therapy target delineation, radiation modeling and plan customization, and quality control, through the omni-channels of our Jiahe Yunying Remote Imaging Information Diagnosis Platform and Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. See "—Sales and Installing of Medical Equipment and Software—Cloud Platform" for details and key terms of Cloud Platform Service Agreements. Leveraging our rich resources and experience in cancer diagnosis and treatment technology, we also offer joint scientific research opportunities, academic seminars and medical professional training services. Revenue generated from services for enterprise customers provided through our Internet Hospital is also recognized under management and technical support. See "—Our Hospital Business—Our Internet Hospital."

**Operating Lease**

As an integral part under our medical equipment, software and related services, we provide equipment leasing and comprehensive support services to our partnered hospitals by entering into an operating lease agreement, and sometimes together with a comprehensive support agreement which are either service-only in nature or as part of our full-spectrum solution services. We facilitate our partnered hospitals per their specific needs in establishing or developing oncology healthcare service. Under our operating lease agreements, we are responsible for providing the medical equipment used in these partnered hospitals according to their needs and requirements. We lease medical equipment to partnered hospitals for a fixed period. The key terms of our operating lease agreements are as follows.

- ***Terms and renewal.*** Our operating lease agreements are typically long-term in nature, typically ranging from eight to 20 years.

- ***Our rights and obligations.*** Under the agreements, we are generally responsible for the supply, installation and testing of the leased equipment. In addition, we provide full-cycle solutions starting from the preparation of the partnered hospital's equipment or department development project, including feasibility plan consultation and design, equipment procurement and upgrade, practice protocols formation and consultation, diagnosis and treatment process design, equipment maintenance and related supporting consumables supply. In certain circumstances, we also arrange for full-time qualified system technicians responsible for certain comprehensive support related to the radiation therapy or diagnostic services being performed by the partnered hospitals' medical professionals to their patients. In addition, we have exclusive ownership over the leased equipment and its accessories. We have the right to mortgage the ownership of the leased equipment. Based on mutual consent, the ownership of the leased equipment may be transferred to our partnered hospitals without additional charges at the end of the leased term.

- ***Rights and obligations of the partnered hospitals.*** The partnered hospitals are generally responsible to provide the resources and logistical support necessary for the installation of the leased equipment. The partnered hospitals are also required to provide us the true and legal licenses regarding the operation of such equipment in compliance with the relevant laws and regulations.

- ***Pricing.*** We typically receive a fixed service fee or a contracted percentage of the revenue net of specified operating expenses of the partnered hospitals regarding their usage of such equipment. The contracted percentage typically ranges from 50% to 90% and are typically adjusted based on a declining scale over the term of the arrangement. The specified operating expenses typically include variable expenses such as the salaries and benefits of the personnel, the cost of consumables, marketing expenses, training expenses, utility expenses and routine equipment repair and maintenance expenses.

- ***Payment settlement and credit term***. Our services are primarily paid on a monthly basis, except for some orders that are paid on a quarterly basis or after completion of the service. The partnered hospitals are required to pay the said amount through wire transfer to our designated bank account generally before the fifteenth of each month. Generally, if the payment is not made on time, we will issue the default fees to the customers at 0.5‰ of the total amount per day. In some of our agreements, the partnered hospitals are required to transfer the performance deposit to our designated bank account within 10 days after the agreement becomes effective. Generally, if the agreement is terminated earlier than expected, the partnered hospitals can purchase the equipment at a depreciated value of the equipment based on the lease term of the equipment.

- ***Intellectual property rights and confidentiality.*** Neither party may disclose to any third party the patient information, operating information, commercial information, technical information, or other confidential information obtained during the cooperation except as otherwise required by laws and regulations.

- ***Exclusivity.*** Some of the operating lease agreements contain exclusivity provisions, under which we are obligated not to providing similar equipment to the partnered hospitals' competitors or other third parties during the term of the agreement. The exclusivity is limited to the pre-designated leased equipment in certain geographic areas, typically including the cities where our partnered hospitals are located. In some agreements, our partnered hospitals are also restricted from receiving similar management services from our competitors during the term of the agreement.

- ***Termination.*** If the agreement cannot be performed and the leased equipment cannot be used due to natural disasters, war, and other unforeseeable factors, the agreement may be terminated, and neither party is responsible for any rights or obligations. If the agreement cannot be performed due to any regulatory restrictions on equipment leasing but the leased equipment can still be used, the parties are responsible for negotiating a solution to the agreement. If any material breach of contract occurs, the non-breaching party may terminate the agreement upon written notice and the breaching party shall pay the damages for breach of contract.

In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue generated from operating leases was RMB19.5 million, RMB27.2 million, RMB21.5 million, RMB11.2 million and RMB9.6 million, respectively.

**Partnered Hospitals**

Our partnered hospitals primarily represent the hospitals that we provide comprehensive service to under our arrangements of (1) operating lease and (2) management and technical support. To a lesser extent, along with our business development in cloud platforms, our partnered hospitals also include those we customized our cloud platforms for under our Cloud Platform Sales Agreements and provide remote medical treatment and consultation services through cloud platforms under our Cloud Platform Service Agreements. As of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease.

We typically begin business relationship with the partnered hospitals through our marketing efforts in industry research and communications with radiation therapy and oncology departments of domestic medical institutions in lower-tier cities beyond the reach of our self-owned facilities. Leveraging our know-how of medical equipment operation and clinical practice, we facilitate our partnered hospitals per their specific needs in establishing or developing oncology healthcare service. As part of our cross-selling efforts, we also supply medical equipment to our partnered hospitals. By establishing such partnership, we aim to build a loyal enterprise customer base for our integrated oncology-related services, and support the setup or upgrade of the hospitals' radiation therapy or diagnostic imaging departments, especially those in lower-tier cities, beyond the reach of our self-owned facilities under an asset-light business model. Through provision a one-stop shop in addressing the evolving demands of our partnered hospitals, we serve to eventually improve the quality of oncology healthcare in lower-tier cities and alleviate the uneven distribution of critical healthcare resources in China.

We provide equipment leasing, comprehensive support services, remote services through cloud platforms, and sales of medical equipment and cloud platform software, selectively or simultaneously, on an as-need basis for our partnered hospitals. Our profit sharing arrangement with partnered hospitals and revenue recognition varies based on the specific services provided and agreement designated for such services. Specifically, we provide for partnered hospitals (1) management and technical support services, under (i) comprehensive support services arrangements, where we receive a contracted percentage of the revenue generated from operating such equipment net of specified operating expenses, which is related to the partner hospital's service capacity and patient base, or (ii) under the service-only agreements with a shorter term related to our cloud platforms or our offline service to partnered hospitals, where we receive fixed service fee or usage-based pricing for our services; and (2) operating lease by entering into an operating lease agreement, and sometimes together with a comprehensive support agreement, where we typically receive (i) a fixed service fee or (ii) a contracted percentage of the revenue net of specified operating expenses of the partnered hospitals regarding their usage of the medical equipment. See "— Management and Technical Support", "—Operating Lease" and "—Fee Model under Medical Equipment, Software and Related Services." For services provided under Cloud Platform Sales Agreement, the revenue is recognized under the sales and installing of medical equipment and software of our medical equipment, software and related services, and for services provided under Cloud Platform Service Agreement, the revenue is recognized under the management and technical support of our medical equipment, software and related services. See "—Sales and Installing of Medical Equipment and Software—Cloud Platform." In addition, if the partnered hospital purchases medical equipment from us apart from our service provision, the corresponding revenue is recognized under the sales and installing of medical equipment and software of our medical equipment, software and related services.

**Case Study**

The following cases illustrate how we serve our partnered hospitals, which further benefits individual patients, under our medical equipment, software and related services.

***Case 1 – Full range of services catering customer's evolving demands***

*Situation*. We have been providing services to a local hospital, which has long been our partnered hospital, by supplying medical equipment and associated support services under our operating lease arrangement. Facing the evolving patient demand in cancer treatment efficacy and experience, the partnered hospital needed to upgrade their medical practice standards and digitalized internal management capability to achieve next-level development.

*Solution*. In recognition of our expertise in oncology clinical practice and innovative technologies, this partnered hospital elected to deepen our collaboration and sought more services from our service portfolio. We customized a set of radiation therapy clinical practice protocols and quality control standards to help them refine their medical practice. We also equipped this partnered hospital with our cloud platform, Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform, which enabled our remote technical support service as well as radiation therapy target delineation, joint consultation, radiation modeling and plan customization for their designated patient cases. Benefiting from our advanced equipment, operation standards and remote support, this partnered hospital has improved its radiation therapy expertise and overall management efficiency.

***Case 2 – Convenient remote services through cloud platform***

*Situation*. A male patient was diagnosed of squamous cell cancer in the middle lobe of his right lung in our partnered hospital, Rugao Bo'ai Hospital in Nantong, Jiangsu province in June 2021. In order to maximize the protection of the patient's lungs, heart and spinal cord, it was necessary to precisely reduce the radiation dose without compromising the goal of effective treatment. The physicist at Rugao Bo'ai Hospital formulated multiple radiation therapy plans, but the planned doses were still too high which could not meet the safety check standards that were adopted in our supplied and managed radiation therapy equipment and treatment planning system. In addition, given the patient's severe situation, urgent same-day treatment was necessary.

*Solution*. Rugao Bo'ai Hospital contacted our in-house physicist team for remote radiation therapy assistance through Jiahe Yunying Remote Imaging Information Diagnosis Platform. Our chief physicist, who was on a high-speed rail for a business trip, logged in the cloud platform through his laptop and reviewed the digitalized radiation therapy plans concurrently with physicists at Rugao Bo'ai Hospital through a video conference. Our chief physicist, leveraging his extensive experience in precision radiation therapy, conducted remote target delineation and dose planning in correction of the previous plan efficiently through our cloud platform. After jointly finalizing the plan which passed our quality checks, the patient received in-time treatment on the afternoon of the same day.

**Fee Model under Medical Equipment, Software and Related Services**

The following table summarizes the services and products provided under our medical equipment, software and related services, and their respective fee model and pricing range during the Track Record Period.

| | Fee Model | Approximate Pricing Range[(1)] (RMB in thousands) |
|---|---|---|
| **Sales and installing of medical equipment and software** | | |
| Large-scale medical equipment | Fixed sales price | 2,480 to 91,300 per contract |
| Other medical equipment and consumables | Fixed sales price | 0.3 to 20,322 per transaction |
| Sales of cloud platform | Fixed sales price | 300 to 1,478 per contract |
| **Management and technical support** | | |
| Comprehensive support service for large-scale medical equipment | Contracted percentage of the revenue generated from operating such equipment net of specified operating expenses | N/A[(2)] |
| Maintenance and technical support | Fixed service fee | 239 to 1,739 per year[(3)] |
| Software development service | Fixed service fee | 25 to 5,270 per development program[(4)] |
| Remote service through cloud platforms | (1) Usage-based pricing; or | N/A[(5)] |
| | (2) Fixed service price | 1,800 per year[(5)] |
| Healthcare consultation service through Internet Hospital | (1) Usage-based pricing; or | N/A[(6)] |
| | (2) Fixed service fee | 300 per service program |
| **Operating lease** | | |
| Lease of large-scale medical equipment | (1) Fixed service fee; or | 960 to 1,700 per year[(7)] |
| | (2) Contracted percentage of the revenue generated from operating such equipment net of specified operating expenses | N/A[(8)] |
| Other leases | Fixed rental fee | 2 to 228 per year |

(1) The pricing range refers to the range of (i) the sales price (including VAT) as designated in sales agreements or the transaction amount for sales and installing of medical equipment and software, or (ii) for the fee model of fixed service fee, the certain service price and rental fee per year or per program designated under the agreement for the services provided.

(2) Comprehensive support services for large-scale medical equipment primarily include equipment management, technical training and operational guidance services as well as medical technology support for the partnered hospitals regarding their own large-scale medical equipment. For contracted percentage fee model, the calculation of a pricing range is not practicable considering that there is generally no specific service price designated in sales agreement. Instead, such service pricing is driven by, among others, the specific contracted percentage of a given year and the revenue generated from the partnered hospitals, which is related to their service capacity and patient base. See "—Management and Technical Support."

(3) Maintenance and technical support services primarily include medical equipment repairing and maintenance, medical technologies training, academic support and promotion. Our partnered hospitals may choose to engage us for one or several of such services. Our pricing varies based on the hospital's needs and the specific services provided under each agreement. See "—Management and Technical Support."

(4) Software development services primarily include the development and deployment of sales, supply chain and quality control management systems. Our enterprise customers may choose to engage us for one or several of such services. Our pricing varies based on consideration of various factors, primarily including the specific service demands, technical difficulty, software framework maturity, expected project timeline and staffing costs. See "—Management and Technical Support."

(5) Remote services we provide through our cloud platforms primarily include remote oncology healthcare, maintenance and technical support services. For the remote oncology healthcare services, we typically charge an amount with a fixed unit price multiplying by the number of patient cases involved over the period, plus certain service fee for other comprehensive services under the agreement. For instance, we typically charge a fixed unit price of RMB200 to RMB1,000 for each remote imaging diagnosis service session and RMB640 to RMB15,000 for each remote consultation session. The calculation of a pricing range is not practicable considering that there is generally no specific package price for the various services provided. For the remote maintenance and technical support services, we typically charge a fixed price based on the cloud platform's functions and number of accessible end-users made available to such enterprise customer under the agreement. See "—Sales and Installing of Medical Equipment and Software—Cloud Platform" and "—Management and Technical Support."

(6) For the healthcare consultation service provided offline or online through our Internet Hospital, we typically either charge (1) an amount with a fixed unit price of each service session specified under each agreement based on the consultation content, multiplying by the number of service sessions over a given period. For instance, we typically charge a fixed unit price of RMB10,000 per service hour for each offline or online consultation session and RMB30,000 for each academic conference service session, or (2) a fixed service price considering the number of service sessions and the service period designated in the agreement. The calculation of a pricing range for the usage-based fee model is not practicable considering that there is generally no specific package price for the various services provided during the contracted service period designated in such agreements. See "—Our Hospital Business—Our Internet Hospital" and "—Management and Technical Support."

(7) Under our operating lease business, the fixed service fee charged from the partnered hospitals regarding our comprehensive support services varies depending primarily on the complexity of the related medical equipment leased from us and the actual work performed over the period. See "—Operating Lease."

(8) For contracted percentage fee model, the calculation of a pricing range is not practicable considering that there is generally no specific service price designated in agreement. Instead, such service pricing is driven primarily by, among others, the specific contracted percentage of a given year and the revenue generated from the partnered hospitals, which is related to their service capacity and patient base. See "—Operating Lease."

## COLLABORATION ARRANGEMENTS

Through the collaboration between Concord Medical and MD Anderson, we learned and introduced their internationally advanced MDT practice and quality control standards. MD Anderson is one of the best-known cancer treatment centers in the world and the largest cancer center in the United States.

In particular, Concord Medical commenced strategic collaboration with MD Anderson initially with several clinical and quality management programs in 2015. The collaboration was renewed in 2020 for another 10 years by a consulting agreement between Concord Hospital Management Group Limited ("Concord HK"), a wholly owned subsidiary of Concord Medical in Hong Kong, and MD Anderson. Pursuant to the agreement, MD Anderson has been providing comprehensive consultation and support in the form of, among others, clinical practice development, cancer center development, medical direction, physician and staff education, as well as research, strategic and business support to Concord Medical's local operations, primarily including our medical institutions in Shanghai, China. Our medical institutions have learned from MD Anderson's expertise in cutting-edge cancer treatment, and the associated quality control protocols and methodologies, such as their longstanding

MDT practice guideline. In return of the collaboration, Concord HK pays fixed installment service fees to MD Anderson. As Concord Medical's operating subsidiary in China, we compensate Concord HK at cost under the collaboration program. See also "Connected Transactions—Continuing Connected Transactions—Partially-exempt Continuing Connected Transactions."

We have also been collaborating with Mayo Clinic, which was ranked No.1 on the Best Hospitals Honor Roll in terms of comprehensive treatment outcomes by U.S. News & World Report in 2021 and home to the top-15 ranked Mayo Clinic Alix School of Medicine in addition to many of the highest regarded residency education programs in the United States. In particular, Guangzhou Hospital has acted as one of the recognized referral facilitators for Mayo Clinic, to eliminate barriers and promote access to world-class health care. Pursuant to the arrangement, Mayo Clinic has provided us with comprehensive support in patient care, talent training, medical record management and patient experience improvement.

## OUR MEDICAL PROFESSIONALS

The qualification and expertise of physicians and other medical professionals practicing at our self-owned medical institutions are vital to the quality of our services and our competitiveness. We believe our professional team is testament to our ability to provide oncology healthcare services to treat diverse conditions of patients through customized treatment options, which is critical to our success in attracting and retaining patients.

The medical professional team at our self-owned medical institutions comprises primarily physicians (including full-time and part-time), physician assistants, professional nurses and caretaking staff, anesthetist, physicists, radiologists and imaging technicians. Our physicians are required to be registered to practice medicine in accordance with the relevant healthcare administrative authorities in China. In addition to the physicians who are our full-time employees, we also have part-time multi-site practice physicians who are employed by third-party medical institutions and physicians who are retirees (i.e., a person who has reached the statutory retirement age in China but is rehired to provide labor service after retirement) of ours or other third-party hospitals that practice at our medical institutions. Many of the multi-site practice physicians and rehired physicians are reputable in the industry. We believe that the experience and expertise of such physicians can enhance the depth and breadth of our services and reputation of our practice.

Our team of medical professionals is led by several experts with rich international experience in cancer research and clinical practices, such as the followings.

- Professor QIAN Chaonan, dean of Guangzhou Hospital, Doctor of Medicine of Sun Yat-sen University of Medical Sciences, who received post-doctoral training at MD Anderson and Van Andel Research Institute and was formerly the deputy dean of Sun Yat-sen University Cancer Hospital. In 2008, he was appointed by the NHC as the Strategic Planning Research Expert of Healthy China 2020 program. He has long been engaged in the clinical diagnosis and treatment of NPC, tumor metastasis research and research and development of new anti-metastatic drugs.

- Professor FU Shen, chief radiation therapy expert of our Company, Doctor of Oncology Radiation Therapy of Fudan University Cancer Hospital, who have led several scientific projects at the frontline of proton therapy research and application.

- Professor LI Zuofeng, chief physicist of our Company, Doctor of Medical Physics of Washington University in St. Louis. Since 2005, he has participated in the construction of the University of Florida Proton Center, responsible for equipment debugging and clinical technology operation. Now a member of the American Society of Medical Physics, he has rich experience in the design, verification and proton irradiation technology of proton therapy and calculation based on Monte Carlo algorithm.

- Mr. YUAN Taize, radiation therapy expert of our Company, Doctor of Medicine of Sun Yat-sen University Cancer Hospital, who has engaged in tumor radiation therapy for 15 years. He specializes in the three-dimensional conformal radiation therapy, IMRT, SRT and IGRT for malignant tumors such as NPC. He has the visiting scholar experience in the Florida Proton Center to learn about the current global advanced radiation therapy technology-proton therapy technology, process and quality control.

- Ms. SHEN Li, proton therapy technology director of our Company, who was graduated from the University of Lyon in France. She once built the proton research and development team of the proton equipment manufacturer IBA, in China and served as the dean of the IBA China Research Institute. She has many years of proton equipment work experience.

- Mr. XIE Shuqing, head of proton therapy radiation protection of our Company, who formerly served in the Nuclear Safety Administration of the Ministry of Environmental Protection and has participated in the formulation of the national standard, 2021 Requirement of Radiation Safety and Protection for Radiotherapy (放射治療輻射安全與防護要求(HJ1198-2021)), which was officially implemented on December 1, 2021 by the Ministry of Ecology and Environment of PRC.

**Qualification of Our Medical Professionals**

In China, licensed physicians are subject to periodic assessment of their professional skills, achievements and professional ethics by institutions or organizations authorized by the public health authorities. There are three qualifications and three professional ranks for physicians in China: (1) junior qualification (初級職稱) for resident physicians who typically undertake entry-level tasks such as patients' medical record preparation and practice under the supervision of attending physicians or other superiors; (2) mid-end qualification (中級職稱) for attending physicians who may supervise resident physicians and typically undertake routine medical procedures, teaching and research; and (3) senior qualification (高級職稱) for (a) associate-chief physicians who may supervise attending and resident physicians, direct research work of a specific field, and typically undertake complex medical procedures and (b) chief physicians who typically command the highest level of medical capability in a specific field and are generally the head of a clinical department. The following table sets forth a breakdown of the medical professionals practicing and employed at our offline medical institutions by rank as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| **Physicians** | | | | |
| Chief physicians and associate chief physicians | 13 | 22 | 23 | 18 |
| Attending physicians | 26 | 41 | 44 | 44 |
| Resident physicians | 36 | 38 | 32 | 27 |
| **Professional nurses and caretaking staff** | 127 | 160 | 189 | 168 |
| **Other medical professionals**(1) | 109 | 146 | 215 | 185 |
| **Total** | 311 | 407 | 503 | 442 |

(1) Consist of pharmacists, physicists, radiologists, technicians and medical supporting staff.

We regularly review the profile of their physicians and reminds them to apply for their next professional rank when they become eligible. As of June 30, 2023, we had 185 other medical professionals. Other medical professionals comprise primarily pharmacists, physicists, radiologists, technicians and medical supporting staff.

As of June 30, 2023, each of our practicing physicians had obtained the physician qualification certificate. We also closely monitor the qualification registration and licensing records on a continuing basis to ensure that our physicians comply with applicable requirements under PRC laws and regulations, in particular, each physician's practice is within the scope of his or her qualification and license. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints or penalties in relation to medical professionals of our medical institutions practicing beyond the scope of their respective licenses. As advised by our PRC Legal Advisor, as of June 30, 2023, we were in compliance with the applicable laws and regulations related to the necessary qualification of our medical professionals practicing at our medical institutions in all material respects in China.

**Recruitment and Benefits**

Our recruitment process begins at the medical graduate-level, where we focus on candidates majoring in fields such as oncology at top-tier universities, including those who have studied or received training in equivalent fields overseas. In selecting new physicians and other medical professionals, we assess, among others, their academic performance, professional qualifications, years of relevant experience, moral character, dedication to oncology healthcare as a career and fitness within our corporate culture. We also recruit medical personnel from diverse talent recruiting channels, including from public and private hospitals, post doc stations in China and worldwide, research stations at our medical institutions, and referral of the multi-site practice physicians or hospitals that we collaborate with. When evaluating such candidates, our key criteria include strong medical ethics, sound technical skills and successful achievement of a certain degree of academic standing or expertise in the psychiatric healthcare field. We impose particularly high standards when recruiting senior medical personnel.

The performance of medical professionals is reviewed regularly with reference to performance targets set primarily based on their positions and their respective clinical departments. The results of such reviews will later be used in salary determinations, bonus awards and promotion appraisals.

We provide competitive employment packages, including base salaries, bonuses and benefits. We allocate a significant portion of total employee compensation to performance-based bonuses, which we believe provides strong performance incentives. Benefits generally include paid vacation leave, which includes holiday leave, sick leave, personal leave, maternity leave and family visitation, as well as social insurance as mandated by the PRC Social Insurance Law. See "—Insurance."

**Training and Development**

We have implemented an internal training system well-designed for medical professionals' career development. We have a medical affairs department to support our training, clinical education and clinical research activities such as training on proper treatment procedures, techniques and equipment. From time to time, we invite experts from professional or academic institutions, such as the Oncology Hospital of the Chinese Academy of Medical Science, to give lectures and provide guidance as to the latest developments and trends in radiation therapy treatments. As part of our training system, physicians and other medical professionals practicing at our medical institutions receive academic and clinical trainings by internal and external experts. Our collaboration with medical institutions in China and worldwide offers physicians the opportunity to consult with each other on challenging cases and treatments. In particular, we have active dialogs and exchanges of information with well-respected medical institutions in China and developed overseas markets and invite leading experts or well-known specialists to share with us their clinical experiences and latest developments in the industry.

In addition, we have developed treatment protocols that are introduced to our partnered hospitals and can be followed by their physicians. We have an internal quarterly magazine titled Stereotactic Radiosurgery that highlights the different clinical cases treated in our partnered hospitals and the latest developments in radiosurgery treatment. We also further assist in the posting of other literature related to radiation therapy. See "—Our Hospital Business—Our Medical Institutions in the Greater Bay Area—Guangzhou Hospital."

**OUR FUTURE EXPANSION**

We plan to continue to expand our self-owned medical institutions primarily by organic growth. Leveraging our successful track record and accumulative cancer treatment resources and experience, we intend to continuously upgrade our existing medical institutions and establish new ones. In particular, we plan to selectively upgrade certain of our existing medical institutions to elevate our service capacity and widen our service offerings. The following table sets forth the estimated details of our intended expansion plan for establishing new medical institutions and upgrading existing ones.

| Self-owned/Managed Construction Projects | Current status | Estimated scale | Expected time of opening |
|---|---|---|---|
| Shanghai Hospital | Under construction | - GFA: 158,769 sq. m.<br>- 400 registered beds | 2026 |
| Phase II of Guangzhou Hospital | In the planning stage | - GFA: 42,160 sq. m.<br>- 300 registered beds | 2027 |

We have completed the topping out of the overall structure of Shanghai Hospital in August 2020 and the water closure of the facade curtain wall in August 2022. As of the date of this document, we have also completed (1) the construction of the concrete separation wall of the large equipment room of the radiation therapy center in the interior of the building, the partition wall of the general equipment rooms for plumbing, heating and electricity, the vertical pipe well structure, and the installation of the main vertical pipes; (2) the design drawings of mechanical and electrical installation and finishing; and (3) the review of sample rooms such as wards and consultation rooms. We have been in the process of full-scale installation of the internal electromechanical equipment and conducting interior finishing works. We expect to complete the phase I of the construction of Shanghai Hospital in September 2025, and the construction of the underground structure for phase II of the construction of Shanghai Hospital in October 2024. Phase I of Shanghai Hospital is expected to commence operation in January 2026.

We expect to incur capital expenditure of approximately RMB3.0 billion for the construction of the above-mentioned hospitals, which will be funded through a combination of the **[REDACTED]** of the **[REDACTED]** and cash flows generated from operating activities and financing activities. In particular, we currently intend to use approximately **[REDACTED]**% of the **[REDACTED]** of the **[REDACTED]**, or HK$**[REDACTED]** million, for financing the construction of Shanghai Hospital. See "Future Plans and **[REDACTED]**—**[REDACTED]**."

The opening of a new medical institution generally involves a number of steps, including strategic planning, market research, site selection, feasibility study, regulatory approval process, construction and decoration of premises, recruitment of necessary personnel, acquisition of equipment and supplies, and commencement of operations. Such process generally takes around five to 10 years to complete.

Monthly breakeven of a new medical institution is reached when it begins to record monthly net profit. The payback period for a new medical institution represents the time that it takes for the accumulated operating cash flow attributable to our Company from the relevant hospital to cover the initial investment. It generally takes years for a self-established hospital to achieve monthly breakeven. We expect the investment payback period for our medical institutions generally ranging from five to seven years from commencement of operations. However, the monthly breakeven periods and the investment payback periods may be further affected by the specific characteristics of a medical institution, such as the size, the initial investment, the coverage of services and the competitive landscape. See "Risk Factors—Risks Relating to Our Business and Industry—We are carrying out a number of large-scale hospital construction projects which require substantial operational, financial and other resources. The construction projects may also be delayed or affected as a result of various factors, many of which are beyond our control."

## RESEARCH AND DEVELOPMENT

We are committed to contributing to medical research and advancements in the oncology healthcare service industry. We believe engaging in various medical research activities enhances our service quality, provides valuable learning and development prospects for our medical professionals, and promotes our brand reputation and recognition. We have also invested in the development and maintenance of our Internet Hospital and cloud platforms to better serve our patients and partnered hospitals, leveraging the integration of online and offline resources. Our research and development expenses were RMB11.3 million, RMB40.4 million, RMB41.3 million, RMB17.7 million and RMB18.5 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 6.8%, 8.6%, 8.8%, 12.3% and 6.5% of our total revenue for the same periods, respectively.

### Medical Research and Development

We actively organize, encourage and assist physicians in our medical institutions to engage in clinical research and to publish their results. We have established the Meizhong Jiahe Science and Technology Innovation Center to further streamline our medical research activities. We assist in coordinating the clinical research efforts among different partnered hospitals in our network, which is critical for certain research initiatives that require a significant amount of clinical data that would be difficult for one partnered hospital to collect. We also engage in various medical research activities to train our medical professionals, strengthen our radiation therapy expertise, and participate in formulating the national industry standards. In June 2020, our project of the Practice Guideline for Total Body Irradiation Technology (全身照射技術實踐指南), led by Professor FU Shen, our chief radiation therapy expert, and Professor LI Zuofeng, our chief physicist, was approved by the National Cancer Center of China as the 2019 Radiation Therapy Quality Control Guidelines (2019年國家腫瘤質控中心放療質控指南), which was the first approved project hosted by a private medical institution in China. For the formulation of the 2021 version and 2023 version of National Standard of Radiation Therapy Quality Control Guidelines (國家腫瘤質控中心放療質控指南), we have also been one of the editors since February 2022 and June 2023, respectively, with our three research projects, Radiation Therapy Data Validation Quality Control Practice Guidelines (放射治療數據審核質量保證實踐指南) led by Professor GONG Qing, the physicist of Shanghai Outpatient Center, Development Guidelines for the 5G-based Remote Radiation Therapy Plan Design, Implementation and Quality Control Platform (基於5G的遠程放療計劃設計、實施與質控平台建設指南) and Practice Guidelines for Total Skin (E-beam) Irradiation Technology (全皮膚(電子束)照射技術實踐指南) led by Professor LI Zuofeng.

In particular, our Guangzhou Hospital has gained industrial and international recognition for its research and peer-reviewed literatures. Guangzhou Hospital is a member of the Union for International Cancer Control ("UICC") and the founding institution of the Society of Tumor Microenvironment, Chinese Anti-Cancer Association ("STMC"). On September 17, 2020, STMC launched the English journal focusing on oncology medication, Visualized Cancer Medicine, a peer-reviewed international scientific journal whose editors are leading medical experts in the cancer treatment area.

We believe that a well-managed clinical research program enhances the reputation of physicians in our network, which in turn enhances the reputation of our medical institutions. In addition, we have established multiple research and development collaborative arrangements with top-tier public hospitals, scientists and equipment manufactures, such as the followings.

***Proton and Heavy Ion Research Center, Soochow University***

We have co-founded the Proton and Heavy Ion Research Center with Soochow University in November 2020. Leveraging the State Key Laboratory of Soochow University and our accumulated resources, we jointly conduct proton and heavy ion related scientific research. In particular, we jointly apply for and undertake ministerial, provincial and national-level major medical research projects, promote international cooperative research projects, and co-build laboratories and tissue banks as the foundation to carry out clinical translational research. Furthermore, we aim to cultivate teams of medical professionals in the proton and heavy ion area by jointly carrying out international exchange projects, hosting related international academic conferences, and building a clinical teaching and training base.

***Strategic Collaboration with Radiation Therapy Equipment Manufacture***

We entered into a strategic collaboration framework agreement with China General Nuclear Power Group ("CGN"), in November 2020, to promote the standardized construction of proton therapy projects leveraging our industry experience and CGN's proton therapy equipment production ability. We expect to collaborate with CGN to jointly carry out proton-related scientific research projects and host international academic conferences to promote the application of proton technologies.

### Technological Research and Development

As of June 30, 2023, our research and development team consisted of 66 professionals. The members of our research and development team possess expertise spanning a broad range of related fields, from AI, big data analytics to operational and infrastructure maintenance. We have also established Meizhong Jiahe Science and Technology Innovation Center to further develop our Internet Hospital and cloud platforms and strengthen our technological capabilities.

## SALES AND DISTRIBUTION

We primarily rely on our reputation as an oncology healthcare service provider in China and word-of-mouth referrals to attract patients and partnered hospitals. We have also initiated or participated in various industry conferences and medical research activities, which we believe contribute to our brand building and customer acquisition capabilities. Moreover, we leverage our Internet Hospital and the synergistic effect among our business segments to further broaden our customer base. For instance, we can channel patients at our offline medical institutions to our Internet Hospital for consultation and post-treatment health management services. Our selling and distribution expenses were RMB21.0 million, RMB50.3 million, RMB60.9 million, RMB25.9 million and RMB26.4 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 12.7%, 10.7%, 12.9%, 18.0% and 9.2% of our total revenue for the same periods, respectively.

**Sales Model**

For sales and installing of medical equipment and software, we have adopted both direct sales and sales to distributors. The following table sets forth a breakdown of our revenue generated from sales and installing of medical equipment and software by sales model for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Sales and Installing of Medical Equipment and Software** | | | | | | | | | | |
| Sales to distributors | 22,140 | 84.7 | 138,595 | 63.7 | 115,857 | 64.7 | 24,322 | 89.7 | 98,199 | 94.1 |
| Direct sales to hospitals | 3,989 | 15.3 | 78,973 | 36.3 | 63,295 | 35.3 | 2,798 | 10.3 | 6,102 | 5.9 |
| **Total** | 26,129 | 100.0 | 217,568 | 100.0 | 179,152 | 100.0 | 27,120 | 100.0 | 104,301 | 100.0 |

The following table sets forth sales volume and average selling price for sales and installing of medical equipment and software by sales model for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Sales volume | Average selling price(1) | Sales volume | Average selling price(1) | Sales volume | Average selling price(1) | Sales Volume | Average Selling price(1) | Sales Volume | Average Selling price(1) |
| | (RMB in thousands, except for sales volume) | | | | | | | (Unaudited) | | |
| **Sales and installing of medical equipment and software** | | | | | | | | | | |
| Sales to distributors | 11 | 2,013 | 31 | 4,471 | 15 | 7,724 | 7 | 3,475 | 33 | 2,976 |
| Direct sales to hospitals | 2 | 1,994 | 52 | 1,519 | 32 | 1,978 | 12 | 233 | 18 | 339 |

(1) Calculated by dividing the sub-segment revenue by the related sales volume. To address hospitals' various demands, we provide different medical equipment with distinct features and brands at varying pricing ranges. See "—Our Medical Equipment, Software and Related Services—Fee Model under Medical Equipment, Software and Related Services." Accordingly, our average selling price for sales and installing of medical equipment and software fluctuated during the Track Record Period.

The following table sets forth a breakdown of our gross profit and gross margin for sales and installing of medical equipment and software by sales model for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross Margin (%) | Amount | Gross Margin (%) |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Sales and installing of medical equipment and software** | | | | | | | | | | |
| Sales to distributors | 7,197 | 32.5 | 14,993 | 10.8 | 4,773 | 4.1 | 300 | 1.2 | 8,873 | 9.0 |
| Direct sales to hospitals | 2,130 | 53.4 | 3,094 | 3.9 | 8,690 | 13.7 | 529 | 18.9 | 496 | 8.1 |
| **Total** | 9,327 | 35.7 | 18,088 | 8.3 | 13,463 | 7.5 | 829 | 3.1 | 9,369 | 9.0 |

Our gross margin for sales and installing of medical equipment and software, through both sales to distributors and direct sales, generally decreased from 2020 to 2022, primarily because we strategically promoted our sales at a relatively low gross margin level to acquire new enterprise customers. Our long-term strategy is to acquire new enterprise customers and target hospitals as our end customers, by supplying them with medical equipment and assisting them in achieving well-rounded development on medical technology and operational management by providing comprehensive support services. We recorded relatively high gross margin for direct sales in 2020, primarily because we only had two direct sales hospital customers with the medical consumables supplied at relatively higher gross margin in 2020. As we diversified our customer base for various medical equipment and consumables supplies, our gross margin fluctuated. Our gross margin for sales distributors increased in the six months ended June 30, 2023 compared to the same period in 2022, primarily because we supplied more large-scale medical equipment with relatively higher gross margin along with our business development and recovery from the impact of the COVID-19 travel restrictions on the logistics for large-scale medical equipment delivery, installation and acceptance. Our gross margin for direct sales decreased in the six months ended June 30, 2023 compared to the same period in 2022, primarily because we supplied the medical equipment with relatively higher gross margin per the business demands of certain direct sales hospital customers in 2022. As the business scale of our direct sales to hospitals was relatively small in the corresponding periods, the profit margin of a single or several contracts are more likely to cause fluctuations in the overall profit level.

***Our value propositions in the industry chain***

Under both sales models, we procure medical equipment from equipment manufacturers and then distribute to enterprise customers or distributors. We connect the suppliers with the customers and provide value propositions. On one hand, most of our enterprise customers are hospitals in lower-tier cities calling for upgrade of their medical equipment and systems, which generally lack access to suppliers of quality medical equipment. Specifically, in 2020, 2021, 2022 and the six months ended June 30, 2023, we provided medical equipment to three, 20, eight and 11 hospitals in lower-tier cities, respectively, and nil, two, six and three hospitals in first-tier cities, respectively. Our distributors serving these hospitals also possibly lack access to such suppliers. Through years of operation in the oncology healthcare industry, we have maintained good and long-lasting relationship with many well-known suppliers of medical equipment. Accordingly, we are more familiar with such suppliers and we are relatively more experienced in price negotiations, primarily compared to hospitals. On the other hand, such suppliers also possibly do not have the ability to reach hospitals in relatively remote areas, and generally lack understanding of the specific demand and operation of such hospitals. We have accumulated extensive know-how of medical equipment operation and clinical practice through our operation of self-owned medical institutions and our over a decade's experience in serving nearly 200 radiotherapy and oncology departments of domestic medical institutions through medical equipment leasing and management services. Accordingly, we are more experienced in providing appropriate medical equipment and software for hospitals. In addition, we are better positioned to meet the demands of the hospitals for their subsequent continuous enhancement for management and technical support. Specifically, as the hospitals' needs continue to rise, we may provide follow-on services of technical support, maintenance, academic communication, and informatization.

In addition, our enterprise customers in first-tier cities engage us to purchase medical equipment instead of procuring directly from suppliers primarily for the following reasons.

- *Direct sales*. Under the direct sales model, hospitals are generally attracted by our relatively broad service offerings, including primarily medical equipment supply, configuration, operation and maintenance, machine room assessment, technical support, academic communication, and opportunities for future cooperation such as clinical support. We have been developing our medical equipment business as an integrated part of our medical equipment, software and related services, which have been our legacy business for over a decade. Evolving along with the industry and customer needs, our medical equipment, software and related services thrived from medical equipment leasing and management services to include medical equipment business, aiming to supply enterprise customers with a comprehensive portfolio of advanced medical equipment and associated medical consumables required to support the setup or upgrade of medical institutions. We have years of experience in operating our own medical institutions with understanding of medical equipment from a clinical application perspective, years of experience in offering medical equipment operation and support related services, and cooperation experience with leading hospitals and experts in the industry. In contrast, suppliers generally may only supply medical equipment with fewer further service offerings. In addition, our brand reputation and service experience accumulated through our service offerings in lower-tier cities also allow us to gradually gain opportunities in first-tier cities.

- *Sales to distributors*. Under the distributorship model, we learn about medical equipment related demands of our end customers, or target hospitals, either through our distributors or directly from the target hospitals. Target hospitals generally demand not only the medical equipment but also the related or follow-up services, such as equipment configuration, operation and maintenance, machine room assessment, technical support, academic communication, and clinical support. Leveraging our knowledge and experience in such fields, our deep understanding of medical equipment accumulated through operation of our own medical institutions, and our long cooperation experience with suppliers of medical equipment accumulated through years of medical equipment operation and support related business, we are able to assist our distributors in fulfilling specific demands of target hospitals. We believe it is generally difficult for our distributors to completely fulfill demands of target hospitals without our help, as they generally lack capabilities in providing the related or follow-up services, or access to certain specific medical equipment suppliers, or obtaining favorable prices from such suppliers. In addition, our target hospitals may also initiate transactions and ask us to source medical equipment fulfilling their demands and generally follow our suggestion for the appropriate medical equipment after we comprehensively consider their needs and budget, leveraging our competitive advantages as illustrated in the direct sales model. We will then procure medical equipment from our suppliers and seek distributors to distribute such medical equipment to target hospitals. See "—Sales to Distributors" for more details. Accordingly, we are an indispensable party in such transactions in which we help connect suppliers with target hospitals and distributors.

  Although some distributors are located in the same city or province as our suppliers of the relevant medical equipment do for certain transactions, such distributors and suppliers may not necessarily recognize each other to form cooperation, and the target hospitals may not recognize such distributors and suppliers as well. Our identity as both a medical institution operator and a medical equipment, software and related services provider is unique as compared to both our suppliers and distributors, who principally merely supply medical equipment. Specifically, we have (1) knowledge and experience in equipment configuration, operation and maintenance, machine room assessment, technical support, academic communication, or clinical support and application of the medical equipment in real medical treatment scenarios at medical institutions, (2) accumulated experience in providing medical equipment related operating lease and management and technical support services to our partnered hospitals in first-tier cities, (3) long cooperation history with suppliers of medical equipment with abundant experience in price negotiations, and (4) cooperation experience with leading hospitals and experts and the correspondingly established brand reputation in the industry. From our past experience, suppliers and distributors generally lack such knowledge and experience, which may undermine their capability to gain deep understanding of target hospitals' demands, provide relevant follow-up services to and thus form cooperation with target hospitals. In contrast, target hospitals generally recognize our competitive advantages of relatively comprehensive capabilities and brand reputation, and thus may seek our help in forming the transactions with appropriate suppliers in our deals under the distributorship model. In addition, hospitals in the first-tier cities are generally more willing to cooperate with companies like us with medical equipment and medical institution operation related knowledge, experience and related follow-up service capabilities or future cooperation opportunities. As of the Latest Practicable Date, we had served 19 hospitals in aggregate in Beijing for medical equipment supply and related services.

We recorded gross loss in certain medical equipment sales transactions, primarily because we strategically focused on expanding our customer network to acquire new customers instead of keeping good profit return in the relatively early development stage for our medical equipment business. We always intend to provide customers with comprehensive services with follow-up cooperation opportunities in further medical equipment supply and other related services. In 2020, 2021, 2022, and the six months ended June 30, 2022 and 2023, we had only nil, five, nil, nil and two medical equipment sales transactions that recorded gross loss, respectively. For analysis of our gross margin for medical equipment sales and comparison with the industry range, please see “—Our Medical Equipment, Software and Related Services—Sales and Installing of Medical Equipment and Software—Medical Equipment.”

New business opportunities may emerge along with the equipment supply, including demands for equipment repair, maintenance and upgrade, or our cloud platform services for customized and digitalized services, thereby creating strong customer stickiness for our management and technical support services on a continuous basis, due to the relatively high switching cost. For instance, we supplied head gamma knife to Rugao Bo’ai Hospital in Nantong, Jiangsu province, who has been our partnered hospital for years. Following providing medical equipment and software, we have been providing comprehensive support services for Rugao Bo’ai Hospital by undertaking the repair and maintenance of such medical equipment, providing technical training, operational guidance services and medical technology support, as well as remote radiation therapy services through our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. See “—Our Medical Equipment, Software and Related Services—Case Study.”

Leveraging our operational experience accumulated though hospital business and long-term relationship with partnered hospitals, we seek to equip hospitals in lower-tier cities with radiation therapy and diagnostic imaging operational capabilities by supplying a comprehensive portfolio of medical equipment and associated medical consumables, aiming to contribute to alleviate the uneven medical resource distribution in China.

***Direct Sales***

We typically enter into a medical equipment sales agreement with an enterprise customer either through a public tender process or a direct negotiation and procurement process. Pursuant to such agreement, we supply the enterprise customer with one or several sets of medical equipment and often with the complementary operating systems and medical consumables. We provide or connect the equipment manufacturer or distributor to directly provide the follow-on installment, calibration and maintenance services for the enterprise customers. In return, we receive a fixed down payment from partnered hospitals with flexible credit arrangement, which typically is partially paid upon execution of the agreement, shipment of the equipment and/or acceptance of the equipment, and in installments for the balance of the total amount, if any. For a majority of such transactions, based on the demands of the customers and according to the specific contract terms, we are responsible for the delivery of the medical equipment from supplier’s warehouse directly to the customers using our designated logistic company and accordingly we bear the inventory risk. We are a principal under these arrangements, and our revenue is recognized on a gross basis in the consolidated statement of profit or loss. For certain limited one-off transactions involving medical equipment, we are responsible for arranging the supplier for the provision of medical equipment, and the delivery, installation and testing services of the equipment to the customers, and we bear no inventory risk. We are an agent under these arrangements, and our revenue is recognized on a net basis in the consolidated statement of profit or loss. In addition, for our cloud platforms, we also enter into a Cloud Platform Sales Agreement with hospitals regarding the supply, deployment, and complementary training and maintenance services of our cloud platforms. See “—Our Medical Equipment, Software and Related Services—Sales and Installing of Medical Equipment and Software—Cloud Platform—Key terms of our cloud platform agreements.” During the Track Record Period, we did not have any disputes with the enterprise customers relating to the settlement of trade receivables.

*Sales to Distributors*

We also engage distributors to distribute certain medical equipment to designated hospitals upon their request, which is in line with industry practice. Under the distributorship model, we learn about medical equipment related demands of our end customers, or target hospitals, either through our distributors or directly from the target hospitals. We generally procure medical equipment from our suppliers upon the receipt of demand from a target hospital. Our end customers, or target hospitals, may but usually do not specify the particular brands of the medical equipment, manufacturers, or distributors for the underlying transactions, as they generally follow our suggestion for the appropriate medical equipment after we comprehensively consider their needs and budget. For the cases where target hospitals reach out to us for medical equipment related demands, we will seek a distributor which is an independent third-party qualified to distribute such medical equipment to the target hospital. To save the cost of obtaining by ourselves all the necessary permits in selling medical equipment to target hospitals in scattered locations, we typically enter into ad-hoc contracts with qualified distributors for specific transactions to address the demands of our target hospitals. We may also learn about the demand for medical equipment from target hospitals through distributors, who reach out to us for specific transactions. Considering such request-based nature of our engagement of distributors, and the different qualifications of us and our distributors, we do not believe there is cannibalization risk between our distributors and our direct sales.

We usually arrange for installation and testing of the medical equipment at the targeted hospitals. By matching such hospitals' needs through the distribution of medical equipment, we establish cooperation with the hospitals, and may further supply them with our other services under medical equipment, software and related services going forward.

Our sales and marketing department selects our distributors based primarily on their experience in the medical device industry, their sales channels and hospital coverage. We require our distributors to hold a business license for medical device operations (醫療器械經營許可證) and other necessary business licenses and permits to sell medical devices in the regions where they conduct activities. We review their qualification documents to ensure that they have the appropriate license and background before entering into agreements with them.

We recognize revenue from distributor sales after the ownership and control of our products are transferred to our distributors when the medical equipment is installed and accepted, and upon acknowledge of receipt of the same by them. We generally do not accept product returns or exchanges, which is in line with industry practice. Our Directors consider that our relationship with our distributors is of a seller and buyer, primarily because the distributors purchase products from us and then on-sell the products to end customers. Our revenue recognition policy focuses on determining whether we obtain control of the medical equipment from our suppliers before the following transfers to end customers or distributors. For our revenue recognition, we are a principal if we obtain control of the medical equipment from suppliers that we then transfer to the distributor. We are an agent if we do not control of the medical equipment before it is being transferred to the distributor. See "Financial Information—Significant Accounting Policies, Judgments and Estimates—Revenue Recognition" and Note 3.18 to the Accountants' Report in Appendix I to this document for more details. During the Track Record Period, to the best of our Directors' knowledge, all of our distributors are Independent Third Parties, and none of our distributors had any past or present relationship (business or otherwise) with our Shareholders, Directors and senior management or any of their respective close associates. Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, none of our distributors had materially breached our contract terms, and we did not have any material dispute with our distributors.

We require distributors to distribute medical equipment only within designated regions or for designated projects, and our distribution agreements typically provide for the exclusive distribution of specific medical equipment to designated hospitals upon customers' request. We have established supply chain management policies to monitor the distributor's activities requiring that our medical equipment is sold to the designated hospital. Accordingly, we do not believe there is cannibalization risk among our distributors, who are each responsible to distribute to designated hospitals for each transaction.

According to the Notice on Opinions on the Implementation of the "Two-Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)), the "Two-Invoice System" refers to the system that requires one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions, which is required to be gradually implemented by public medical institutions, and encouraged to be promoted by other medical institutions. According to the Notice on Printing and Distributing the Reform Plan for the Management of High-Value Medical Consumables (關於印發治理高值醫用耗材改革方案的通知), local governments are encouraged to adopt the "Two-Invoice System" combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales. According to the Reply of the National Healthcare Security Administration to Recommendation No. 1209 of the Second Session of the 13th National People's Congress (國家醫療保障局對十三屆全國人大二次會議第1209號建議的答覆), "Two-Invoice System" for high-value medical consumables needs to be further discussed given the huge differences between high-value medical consumables and pharmaceuticals and the complexity of clinical use and after-sales service. As such, medical equipment is not subject to these requirements of two-invoice system, and the interpretation and enforcement of the two-invoice system in the medical device industry are evolving. The progress of implementation of the two-invoice system for high-value medical consumables varies in different regions. Certain regions formulated their provincial rules requiring public hospitals to implement the two-invoice system for high-value medical consumables, and there was no implementation timeline in other regions for the mandatory implementation of such two-invoice system.

We engage distributors to primarily distribute medical equipment to public hospitals, some of which are sold with a small amount of medical consumables, which are mainly used for the installation and testing of the medical equipment without additional charges. In addition, as of the Latest Practicable Date, one of our distributors is involved in the direct sales of medical consumables to public hospitals. According to the anonymous telephone consultations via the official consultation lines with the officers of the relevant local authorities during May to October, 2023, such officers of these local authorities on the telephones respectively confirmed that: (1) such officers and local authorities are competent to provide the subject confirmations in their regions; and (2) either the two-invoice system for medical consumables is not mandatorily enforced in such regions, or our aforementioned sales are not subject to the two-invoice system for medical consumables which is implemented in such regions. Based on the above, our PRC Legal Advisor advised that (1) such officers and local authorities are competent to provide the subject confirmations in their regions; and (2) our abovementioned sales were in compliance with the two-invoice system in all material aspects if it was mandatorily enforced in such regions during the Track Record Period and up to the Latest Practicable Date. We have established our group-wide Medical Supply Chain Customer Management Regulations Policies (trial version) to ensure our compliance with relevant laws and regulations. We also conduct internal checks on whether the medical consumables to be sold are regulated by the two-invoice system before approving the agreements. We are closely monitoring the implementation of the two-invoice system and the interpretation and enforcement of such system in the medical device industry. See "Risk Factors—Risks Relating to Our Business and Industry—We depend on distributors for a substantial portion of our revenue and revenue growth for our sales and installing of medical equipment and software. We may fail to maintain relationships with distributors or further expand our distributor network."

*Distribution agreements*

We enter into transaction-based agreements with each of our distributors, which sets out the rights and obligations of both parties, typically including the designated hospitals and medical equipment which the distributors are authorized to sell. We did not enter into tripartite agreement among us, our distributors and end customers for the sale of medical equipment during the Track Record Period. The following is a summary of key arrangements with our distributors during the Track Record Period.

- *Duration*. Our standard distribution agreement is entered into for one-off transactions.

- *Exclusivity and prevention of cannibalization.* Generally, each distributor is authorized to sell the medical equipment only to the designated hospitals.

- *Sub-distributors*. We operated a single-layer of distributors during the Track Record Period and did not intend to allow any distributor to procure sub-distributors.

- *Obligations*. For a majority of such one-off transactions involving medical equipment, we are generally obligated to, among others, (1) deliver the medical equipment to the designated hospitals, and (2) arrange for the installation and testing of the medical equipment at the designated hospitals. For such majority transactions, based on the demands of the end customers and according to the specific contract terms, we are responsible for the delivery of the medical equipment and bear the inventory risk after we obtain the control of the medical equipment from our suppliers. We are a principal under these arrangements, and our revenue is recognized on a gross basis in the consolidated statement of profit or loss. For certain limited one-off transactions involving medical equipment, we are obligated to arrange the manufacturers for the provision of medical equipment and the delivery, installation and testing of the medical equipment to and at the designated hospitals; and we are generally obligated to verify and ensure that the medical equipment delivered is new and unused. We are an agent under these arrangements, and our revenue is recognized on a net basis in the consolidated statement of profit or loss. Our distributors are generally obligated to, among others, (1) inspect the medical equipment delivered by us, (2) liaise us with the designated hospitals during the distribution process. There is no minimum sales target or minimum purchase amount for our distributors under such arrangements of one-off transactions.

- *Pricing.* We contractually fix the selling prices to our distributors. We determine the selling prices to our distributors on an case-by-case basis in light of the specific medical equipment provided, and there is no material difference in the price fixed for our distributors and our direct sales. We generally do not mandate the selling price to end customers.

- *Credit term.* We generally require our distributors to make full payment within several days upon the delivery of the medical equipment under such one-off arrangements.

- *Delivery*. For a majority of such one-off transactions involving medical equipment, we are responsible for transporting the medical equipment from the supplier's warehouse directly to the designated hospitals using our designated logistic company and accordingly we bear the inventory risk and the costs of transportation. For certain limited one-off transactions involving medical equipment, the manufacturers of the medical equipment are responsible for transportation from their warehouse directly to the designated hospitals and bearing the related costs.

- *Product return or exchange*. We generally do not accept product returns or exchanges upon delivery of the medical equipment, except for quality defects where we may arrange for product returns or exchanges upon receipt of our distributors' requests. Our Directors confirm that no incidents of product returns or exchanges happened during the Track Record Period.

- *Confidentiality*. Distributors are generally required to keep confidential any information relating to our services and customers.

- *Termination*. We have the right to terminate the agreement if the distributor breaches the terms and conditions therein.

*Number of distributors*

In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we engaged four, 14, nine, four and seven distributors, respectively, for one-off transactions to deliver medical equipment typically to designated hospitals on a purchase order basis. The number of our distributors increased from 2020 to 2021, primarily to accommodate the growth of our sales and installing of medical equipment and software. The number of our distributors decreased from 2021 to 2022, primarily reflecting the fluctuation in market demands resulting from the regional resurgence of COVID-19 pandemic in 2022.

During the Track Record Period and up to the Latest Practicable Date, under both the direct sales model and distributorship model, there had been no incident where a customer failed to complete a purchase order (not due to any product defect) after we had made the relevant purchases for the medical equipment. For the medical equipment we purchased from suppliers for the majority of the transactions, we inspect and arrange for delivery to the designated hospitals. In view of the special requirements for the installation of oncology treatment equipment, we generally make confirmation with hospitals in advance on the installation requirements before arranging for delivery.

## OUR CUSTOMERS

Our customers primarily include (1) patients that receive oncology healthcare services at our self-owned medical institutions and through our Internet Hospital, and (2) enterprise customers, including primarily our partnered hospitals, other medical institutions and medical enterprises, as well as distributors for our sales and installing of medical equipment and software. For our hospital business, we source patients primarily through marketing and brand promotion efforts designed to enhance our brand recognition and educate cancer patients of the high-quality, patient-centered cancer diagnosis and treatment services we provide. Our medical institutions refer patients to each other based on the specific needs of the patient for the provision of featured services, such as the comprehensive cancer therapies in Guangzhou Hospital and the diagnostic imaging service in Shanghai Imaging Center. For our medical equipment, software and related services, we source enterprise customers primarily through (1) the marketing efforts of our customer acquisition team, and (2) word-of-mouth referrals from our existing customers and collaboration parties. Furthermore, our two business segments have synergy in customer attraction through reinforced brand effect and customer referral. See "—Our Business Model—Synergies among Our Business Segments."

The following table sets forth a breakdown of our revenue by nature of customers for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | RMB | % of Total | RMB | % of Total | RMB | % of Total | RMB | % of Total | RMB | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Individual patients** | 78,230 | 47.0 | 146,902 | 31.2 | 207,753 | 44.0 | 80,031 | 55.6 | 150,369 | 52.7 |
| **Enterprise customers** | 88,092 | 53.0 | 323,603 | 68.8 | 264,417 | 56.0 | 63,784 | 44.4 | 134,811 | 47.3 |
| Partnered hospitals | 54,896 | 33.0 | 80,157 | 17.0 | 59,690 | 12.6 | 20,414 | 14.2 | 12,709 | 4.5 |
| Distributors | 22,140 | 13.3 | 138,595 | 29.5 | 115,857 | 24.5 | 24,322 | 16.9 | 98,199 | 34.4 |
| Other enterprise customers[(1)] | 11,056 | 6.6 | 104,851 | 22.3 | 88,870 | 18.8 | 19,048 | 13.2 | 23,903 | 8.4 |
| **Total** | **166,321** | **100.0** | **470,505** | **100.0** | **472,170** | **100.0** | **143,810** | **100.0** | **285,179** | **100.0** |

(1) Primarily include medical service companies and other medical institutions.

During the Track Record Period, substantially all of our customers for our hospital business consisted of individual patients, and none of the five largest individual patients in 2020, 2021, 2022 and the six months ended June 30, 2023 contributed more than 1.0% of our total revenue in the same period. We generally do not enter into long-term agreements with our individual patients. For outpatient services, our customers are required to make payments prior to or at the time of the provision of services, while patients are generally required to pay a deposit in advance of admission and settle their medical bills on the day of discharge for inpatient services. They generally pay for their treatment by cash or credit cards, except for those services covered by the public medical insurance programs, for which the medical bills are settled by local public medical insurance authorities on a regular basis. In such cases, our customers may make partial payments if the medical bills are not fully covered by the public medical insurance programs, with the remaining fees payable to be settled between us and the relevant public medical insurance authorities. See "—Pricing and Payment—Payment and Medical Insurance Coverage."

In 2020, 2021, 2022 and the six months ended June 30, 2023, revenue generated from our five largest customers in each year/period during the Track Record Period was RMB48.3 million, RMB150.3 million, RMB137.9 million and RMB96.5 million, respectively, accounting for 29.1%, 31.9%, 29.2% and 33.8% of our total revenue in the same periods, respectively, and revenue generated from our largest customer in each year/period during the Track Record Period accounted for 7.4%, 12.2%, 12.2% and 16.4% of our total revenue in the same periods, respectively. The following table sets forth certain information of our five largest customers in each year/period during the Track Record Period.

| Customer* | Transaction amount | Percentage of total revenue | Length of relationship as of the corresponding year end(1) | Principal business |
|---|---|---|---|---|
| | *(RMB in millions)* | *(%)* | *(year)* | |
| ***For the year ended December 31, 2020*** | | | | |
| Customer A(2) ....... | 12.3 | 7.4 | 12 | Medical diagnosis and treatment service to patients |
| Customer B(3) ....... | 11.1 | 6.7 | one | Sales of medical devices and other goods |
| Customer C(4) ....... | 10.5 | 6.3 | one | Sales of medical devices and other goods |
| Customer D(5) ....... | 8.7 | 5.2 | eight | Medical diagnosis and treatment service to patients |
| Customer E(6) ........ | 5.8 | 3.5 | three | Medical diagnosis and treatment service to patients |
| **Total** .............. | **48.3** | **29.1** | | |
| ***For the year ended December 31, 2021*** | | | | |
| Customer F(7) ........ | 57.6 | 12.2 | one | Technical services, medical equipment leasing, and import and export agency |
| Customer G(8) ....... | 40.1 | 8.5 | one | Medical diagnosis and treatment service to patients |
| Customer H(9) ....... | 19.4 | 4.1 | one | Sales of medical devices and labor dispatching |
| Customer I(10) ....... | 17.1 | 3.6 | one | Sales of medical devices and other goods and services |
| Customer B(3) ....... | 16.1 | 3.4 | two | Sales of medical devices and other goods and services |
| **Total** .............. | **150.3** | **31.9** | | |

| Customer* | Transaction amount | Percentage of total revenue | Length of relationship as of the corresponding year end(1) | Principal business |
|---|---|---|---|---|
| | (RMB in millions) | (%) | (year) | |
| ***For the year ended December 31, 2022*** | | | | |
| Customer F(7) | 57.5 | 12.2 | two | Technical services, medical equipment leasing, and import and export agency |
| Customer J(11) | 23.7 | 5.0 | two | Medical treatment and preventive healthcare services to patients |
| Customer G(8) | 22.7 | 4.8 | two | Medical diagnosis and treatment service to patients |
| Customer K(12) | 20.5 | 4.3 | three | Sales of medical devices and consultation services |
| Customer C(4) | 13.5 | 2.8 | three | Sales of medical devices and other goods |
| **Total** | **137.9** | **29.2** | | |
| ***For the six months ended June 30, 2023*** | | | | |
| Customer F(7) | 46.8 | 16.4 | three | Technical services, medical equipment leasing, and import and export agency |
| Customer L(13) | 27.4 | 9.6 | four | Sales of medical devices and other goods and services |
| Customer M(14) | 8.9 | 3.1 | two | Sales of medical devices and import and export agency |
| Customer N(15) | 6.8 | 2.4 | one | Sales of medical devices and other goods and services |
| Customer O(16) | 6.6 | 2.3 | one | Sales of medical devices and other goods and services |
| **Total** | **96.5** | **33.8** | | |

* We have proactively requested for disclosing the identities of the top five customers in each year/period during the Track Record Period through email communications. For the customers who agreed so, we have disclosed their names accordingly as stated below. For the customers who disagreed, or the contracts with them contain confidentiality clauses that restrict us from disclosing their identities, we consider that their identities cannot be disclosed, and has instead disclosed their respective background information as stated below. We believe that the existing information provides sufficient information about our customers, in accordance with the norm of public disclosures from other companies with the Stock Exchange.

(1) All of our five largest customers in 2021 were our customers for one-off transactions of medical equipment supply, including certain of our distributors, and thus having relatively short length of relationship with us.

(2) Customer A refers to the Fifth Affiliated Hospital of Zhengzhou University. Customer A is a Class III Grade A public hospital located in Henan province.

(3) Customer B refers to Inner Mongolia Shuolang Medical Equipment Co., Ltd. Customer B is a private company located in Inner Mongolia Autonomous Region.

(4) Customer C is a private company primarily engaged in sales of medical devices and other goods. Customer C was established on July 8, 2011. Customer C is located in Beijing with registered capital of RMB20.0 million.

(5) Customer D refers to Xinxiang City Central Hospital. Customer D is a Class III Grade A public hospital located in Henan province.
(6) Customer E refers to the First Affiliated Hospital of Xi'an Jiaotong University Medical College. Customer E is a Class III Grade A public hospital located in Shaanxi province.
(7) Customer F is a private company primarily engaged in technical services, medical equipment leasing, and import and export agency. Customer F was established on September 23, 2013. Customer F is located in Beijing with registered capital of RMB10.0 million.
(8) Customer G refers to Chongqing West District Hospital Co., Ltd. Customer G is a Class III private hospital located in Chongqing.
(9) Customer H is a state-owned company primarily engaged in sales of medical devices and labor dispatching. Customer H was established on September 27, 1984. Customer H is located in Beijing with registered capital of RMB888.0 million.
(10) Customer I refers to Beijing International Trade Co., Ltd. Customer I is a state-owned company located in Beijing.
(11) Customer J is refers to Lushi County Hospital of Traditional Chinese Medicine. Customer J is a Class II Grade A public Chinese medicine hospital located in Henan province.
(12) Customer K is a private company primarily engaged in sales of medical devices and consultation services. Customer K was established on October 29, 2015. Customer K is located in Shanghai with registered capital of RMB3.0 million.
(13) Customer L refers to Beijing Liangda International Trade Co., Ltd. Customer L is a private company located in Beijing.
(14) Customer M refers to Ouyi Health Management Co. Ltd. Customer M is a private company located in Hebei province.
(15) Customer N is a state-owned company primarily engaged in sales of medical devices and other goods and services. Customer N was established on March 18, 1998. Customer N is located in Beijing with registered capital of RMB7.5 billion.
(16) Customer O is a private company primarily engaged in sales of medical devices and other goods and services. Customer O was established on March 30, 2020. Customer O is located in Zhengzhou, Henan province with registered capital of RMB100.0 million.

The increase in revenue generated from our largest customer in each year/period during the Track Record Period was primarily resulting from a step-up of our market education efforts for our sales and installing of medical equipment and software in 2021, as Company A was a customer of our management and technical support services while Company F was a customer of our sales and installing of medical equipment and software with relatively large demands for our supply of high-value medical equipment. All of our five largest customers in each year/period during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, Supervisors, their respective close associates or any Shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers in each year/period during the Track Record Period.

**Overlapping of Customers and Suppliers**

Customer C/Supplier J, as the same entity, was one of our five largest customers in 2020 and 2022, and also a supplier in 2021 and 2022 and one of our five largest suppliers in the six months ended June 30, 2023. Customer C/Supplier J engaged us for the supply of ventilators in 2020 and PET-CT equipment in 2022. We engaged Customer C/Supplier J to purchase X-ray computed tomography equipment in 2021, medical training manikins in 2022, and endoscopic surgical control systems and accessories in the six months ended June 30, 2023 for our sales and installing of medical equipment and software. Revenue generated from Customer C/Supplier J as a percentage of our total revenue was 6.3% in 2020 and 2.8% in 2022. The transaction amount of our purchase from Customer C/Supplier J as a percentage of our total purchases was 2.3%, 0.6% in 2021, 2022 and 7.1% in the six months ended June 30, 2023, respectively.

Customer B was one of our five largest customers in 2020 and 2021, and also a supplier in 2021. Customer B engaged us for the supply of diagnostic imaging medical equipment, and we engaged Customer B to purchase small medical devices for our sales and installing of medical equipment and software in 2021. Revenue generated from Customer B as a percentage of our total revenue was 6.7% and 3.4% in 2020 and 2021, respectively. The transaction amount of our purchase from Customer B as a percentage of our total purchases was 0.2% in 2021.

Negotiations of the terms of our sales to and purchases from Customer C/Supplier J and Customer B were conducted on an individual basis, and the sales and purchases were neither inter-connected or inter-conditional with each other. Our Directors confirm that all of our sales to and purchases from Customer C/Supplier J and Customer B were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Our Directors confirm that, saved as disclosed above, none of our major customers was our major supplier during the Track Record Period.

## PRICING AND PAYMENT

### Price Control and Pricing

Pursuant to the applicable PRC laws and regulations, a private for-profit medical institution is generally entitled to set the prices of its services at its own discretion. We price the oncology healthcare services provided by our self-owned medical institutions based on a number of factors, including complexity of the treatment, operating costs, local market conditions and competitors' pricing of similar services. At our self-owned medical institutions that are Medical Insurance Designated Medical Institutions (醫保定點醫療機構), including Guangzhou Hospital, Guangzhou Outpatient Center, Datong Hospital, and Shanghai Outpatient Center, we are required to set the prices for services covered by the public medical insurance programs in accordance with the pricing guidelines adopted under such programs in order for our patients to be eligible for reimbursements.

Our self-owned medical institutions are generally entitled to set the retail prices of the pharmaceuticals and medical consumables at their own discretion, except for narcotic pharmaceuticals and Class I psychotropic substances which are subject to government-set prices. However, for pharmaceuticals and medical consumables covered by the public medical insurance programs, our self-owned medical institutions that are Medical Insurance Designated Medical Institutions are subject to the pricing guidelines set by the relevant local healthcare administrative authorities and the pharmaceutical zero mark-up policy (藥品零加成政策), which is a requirement to sell essential pharmaceuticals to patients at the procurement bidding price without any mark-up.

For the sales of medical equipment, we take into account the market demand and competitiveness of the medical equipment, the nature and service scope of our services, our expected profits and our past experience on similar transactions when determining pricing. We determine our pricing through negotiations with our customers or project tendering processes. Our pricing policy has a great influence on our results of operations and financial condition. We expect to maintain consistent pricing policy for our sales of medical equipment for our enterprise customers in the foreseeable future, which shall take into account changes in the demand and supply in the oncology healthcare service market.

We determine the pricing of our sales and service of cloud platform based on comprehensive consideration of (1) our estimation of workload involved for the research and development and the remote medical services to be provided through the cloud platforms, such as the number of staff to be allocated, their respective titles and cost per person and service duration, (2) the market demand, and (3) the industry competition. See "Our Medical Equipment, Software and Related Services—Sales and Installing of Medical Equipment and Software—Cloud Platform." Our Directors will also continue to monitor the pricing of the cloud platform service providers on a regular basis given the keen competition to ensure the competitiveness of our cloud platforms.

For our management and technical support services offered, we receive (1) a fixed fee, (2) an amount based on fixed unit price and purchase volume, or (3) a contracted percentage of the revenue net of specified operating expenses of the partnered hospitals' departments that enjoyed our services. For our operating lease services, we facilitate our partnered hospitals in establishing or developing oncology healthcare service by leasing medical equipment to them for a fixed period and providing comprehensive support services. We receive a fixed service fee or a contracted percentage of the revenue net of specified operating expenses of the partnered hospitals regarding their usage of such equipment. See "Our Medical Equipment, Software and Related Services—Fee Model under Medical Equipment, Software and Related Services." In negotiations with our partnered hospitals as to the contracted percentage, we consider factors such as the size and location of the potential partnered hospital, the length of the arrangement, the type of medical equipment to be installed, the capabilities of the personnel that will provide services, and the potential growth of such partnered hospitals. We intend to mainly adopt fixed service fee model for such services in the future, and our fixed service fee may decline over time as the purchase prices of the primary medical equipment used in our network of partnered hospitals decrease due to technological advancement and increased competition.

**Payment and Medical Insurance Coverage**

Our patients settle their medical bills through multiple sources, including public medical insurance, commercial medical insurance, and out-of-pocket payments. Accordingly, the ultimate payors of our medical institutions under our hospital business include the local public medical insurance authorities under the public medical insurance programs, commercial insurance companies under the commercial medical insurance programs, and patients for their out-of-pocket payments. Our six offline medical institutions locate in Guangzhou, Shanghai and Datong. All of the three cities carry out local public medical insurance programs, primarily including the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度) and the Basic Medical Insurance Scheme for Urban and Rural Residents (城鄉居民基本醫療保險制度) (the combination of the formerly Urban Resident Basic Medical Insurance Scheme (城鎮居民基本醫療保險制度) and the formerly New Rural Cooperative Medical Insurance Scheme (新型農村合作醫療保險制度)). As of the Latest Practicable

Date, Guangzhou Hospital, Guangzhou Outpatient Center, Datong Hospital, and Shanghai Outpatient Center were Medical Insurance Designated Medical Institutions, such that their patients are eligible for public medical insurance coverage under one of the two medical insurance schemes depending on their insurance type or residency. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for some of our oncology healthcare services. In such case, patients generally settle a portion of their medical bills through out-of-pocket payments, with the remainder being covered by the public medical insurance programs. The specific percentage covered under different public medical insurance programs may vary based on criteria including type of the insurance program, age of the patient, type of treatment involved and pharmaceuticals sold. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue derived from settlement through public medical insurance programs was RMB31.0 million, RMB43.0 million, RMB74.6 million, RMB26.7 million and RMB86.7 million, respectively, accounting for 37.1%, 26.7%, 34.2%, 32.2% and 54.5% of our total revenue generated from our hospital business for the same periods, respectively.

For the portion of the medical fees covered by the public medical insurance programs and payable by the local public medical insurance authorities, our medical institutions typically receive reimbursement of a majority of such portion in the current month or the following month, with the remainder to be settled generally within the first six months in the following year. However, depending on the relevant practice of the public medical insurance programs, a Medical Insurance Designated Medical Institution may be subject to a government-approved annual quota for the medical fees for inpatient healthcare services that it is allowed to recover from the relevant local public medical insurance authorities. For the amounts in excess of the government-approved annual quota, the reimbursement will typically settle in the following year, with the majority also in the first six months. During the Track Record Period, the healthcare services provided by our Datong Hospital and Shanghai Outpatient Center were subject to such government-approved quota.

Patients may also rely on applicable commercial medical insurance policies or pay to our medical institutions in cash, bank cards or online payments via third-party payment platforms. During the Track Record Period, some of our medical institutions have entered into cooperation agreements with certain third-party commercial insurance providers on direct billing settlement. If healthcare services we provide are eligible to be paid by the relevant commercial medical insurance policies, patients may make nil or partial payment with the remainder settled between us and the commercial insurance institutions directly. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue derived from direct settlement with commercial insurance providers was RMB0.4 million, RMB0.9 million, RMB4.1 million, RMB1.5 million and RMB3.5 million, respectively, accounting for 0.5%, 0.6%, 1.9%, 1.8% and 2.2% of our total revenue generated from our hospital business for the same periods, respectively. Pursuant to our cooperation agreements, the commercial insurance providers generally settle with our relevant hospitals on a monthly basis.

In addition, we improve the payment efficiency and the affordability of services provided through our digital medical service platform by integrating with public and commercial health insurance. Our multi-payer coverage provides our users with more flexibility in selection of payment methods. To achieve the integration with public medical insurance system, we need to complete a comprehensive process including user ID verification, follow-up visit verification, settlement scope management, expense payment and operation analysis. Such undertakings allow us to provide convenient and seamless digital medical service with direct settlement by public medical insurance, which at the same time prevent the incidents of fraudulent medical bill settlement requests.

**Diagnosis Related Groups Payment System and Diagnosis Intervention Packet Payment System**

According to the Notice on Issuing the National Pilot Technical Specifications and Grouping Scheme for the Diagnosis Related Groups ("DRG") Payment (關於印發疾病診斷相關分組(DRG)付費國家試點技術規範和分組方案的通知) promulgated by the National Health Security Administration on October 16, 2019, DRG is a case combination classification scheme under China' public medical insurance program. DRG payment system considers hundreds of disease groups and determines the optimal amount to be paid by the public medical insurance program for each disease group, based on a variety of factors such as patient age, disease diagnosis, comorbidity, complication, treatment, disease severity, and resource consumption level. According to the Notice on Issuing the Technical Specifications for National Medical Insurance Payment by Diagnosis Intervention Packet ("DIP") and the DIP Disease Catalog (Version 1.0) (關於印發國家醫療保障按病種分值付費(DIP)技術規範和DIP病種目錄庫(1.0版)的通知) promulgated by the National Health Security Administration on November 9, 2020, DIP is a management system which classifies disease groups based on the common characteristics of disease diagnosis and treatment methods, and assigns different score point values for different disease groups to form reimbursement standards. Under both the DRG and the DIP payment system, the local public medical insurance authorities reimburse medical institutions that adopted DRG or DIP according to the reimbursement standard of the disease group that the patient belongs, and not according to the actual costs incurred by the patient at the medical institution. The difference between DRG and DIP payment systems primarily include the different disease group classifications, as the DRG disease grouping is derived primarily through judgment of medical experts based on their previous clinical experience for disease treatments, while the DIP disease grouping is derived primarily through specific clinical data of previous disease diagnoses.

Both DRG and DIP payment systems are applicable only for medical insurance reimbursement for medical institutions providing inpatient services. Based on the different choices between DRG and DIP payment systems made by the relevant Medical Insurance Bureau in Datong and Guangzhou, our Datong Hospital began to adopt the DRG payment system for its inpatient services since its public medical insurance agreement entered into with the Medical Insurance Bureau of Datong in 2023; and our Guangzhou Hospital began to adopt the DIP payment system for its inpatient services since its public medical insurance agreement entered into with the Medical Insurance Bureau of Guangzhou in 2021. Since our other medical institutions do not provide inpatient services, DRG or DIP payment system is not applicable to our other medical institutions.

***Impact on Our Business Operation***

Under the DRG or DIP payment system, local public medical insurance authorities reimburse Datong Hospital and Guangzhou Hospital according to the reimbursement standard of the disease group that the patient belongs, and not according to the actual costs incurred by the patient at the medical institution. Accordingly, Datong Hospital and Guangzhou Hospital took the initiative to strengthen cost control, including managing the cost of medicines and other medical materials and consumables. DRG and DIP payment systems promote standardized management, diagnostic and treatment process, and encourage medical institutions to conduct more efficient cost control and improve hospital operational efficiency.

***Impact on Our Pricing Policy***

As Datong Hospital and Guangzhou Hospital are also Medical Insurance Designated Medical Institutions, they may only charge healthcare service fees in accordance with the pricing guidelines set by the relevant medical and health administrative departments and public medical insurance program authorities. DRG or DIP payment system generally does not have other additional impact on the pricing policy.

***Impact on Our Financial Performance***

Financial performance of Datong Hospital and Guangzhou Hospital are primarily determined or influenced by the number of their outpatient and inpatient visits, average spending per outpatient and inpatient visit, as well as their specific development strategies, and local market competition. DRG or DIP payment system generally would not bring significant influence on their financial performance.

Under the DRG or DIP payment system, the local public medical insurance authorities reimburse medical institutions that adopted DRG or DIP according to the reimbursement standard of the disease group that the patient belongs, and not according to the actual costs incurred by the patient at the medical institution. As a result, under the DRG or DIP payment system, there may be non-reimbursable amounts if the claimed reimbursement amount based on the actual inpatient service costs incurred by the patients at Datong Hospital or Guangzhou Hospital are higher than the reimbursement amounts received by the hospitals according to the reimbursement standard of the corresponding disease group. Our Guangzhou Hospital began to adopt DIP payment system since 2021 and our Datong Hospital began to adopt DRG payment system since 2023. Specifically, in 2021 and 2022, under the DIP payment system, Guangzhou Hospital recorded non-reimbursable amounts of RMB6.3 thousands and RMB291.4 thousands, respectively, accounting for 0.1% and 0.3% of the total revenue generated from Guangzhou Hospital in the same periods, respectively. Our Directors confirm that such immaterial non-reimbursable amounts under the DIP payment system did not impose a material adverse effect on our business, results of operations or financial condition in 2021 and 2022. As the relevant Medical Insurance Bureau in Datong and Guangzhou generally would not complete audit for the public medical reimbursement for 2023 until May or June 2024, the non-reimbursable amount in 2023 under the DRG or DIP payment system, if any, is currently not accessible for Guangzhou Hospital and Datong Hospital. Nonetheless, our Directors expect that, based on the previous experience in settling reimbursement with public medical insurance authorities, in the six months ended June 30, 2023 and up to the Latest Practicable Date, neither Datong Hospital nor Guangzhou Hospital would record any material non-reimbursable amounts under the DRG or DIP payment system that could have a material adverse effect on our business, results of operations or financial condition. See "Risk Factors—Risks Relating to Our Business and Industry—Any failure to remain eligible for public medical insurance coverage, or any non-payment or delayed payment under China's public medical insurance programs, including the Diagnosis Related Groups payment system and Diagnosis Intervention Packet payment system, could materially and adversely affect our business, results of operations and financial condition."

**OUR SUPPLIERS, PROCUREMENT AND INVENTORY**

Our medical institutions primarily require pharmaceuticals, medical consumables and medical equipment, as well as lease property, for their daily operations. We also require medical equipment and consumables for our medical equipment, software and related services. Our medical supplies are primarily sourced within China.

We have a centralized procurement management team at our headquarters, which is responsible for approving supply channels and negotiating the terms for our purchases. Each of our medical institutions consolidates and regularly reports its procurement needs to our centralized procurement management team, which then aggregates all procurement needs and selects qualified suppliers. Our medical institutions place purchase orders with the selected suppliers with quantities and purchase prices approved by our centralized procurement management team. We believe centralized procurement allows us to achieve economies of scale and to better control the quality of the pharmaceuticals, medical consumables and medical equipment we procure.

The large-scale medical equipment used in our medical institutions is highly complex and usually a limited number of manufacturers worldwide produce such equipment. During the Track Record Period, we purchased part of our medical equipment used in our medical institutions directly from reputable third-party suppliers in China or overseas, which also provided maintenance and technical support services.

In accordance with PRC laws and regulations, the procurement, installation and operation of Class A or Class B large-scale medical equipment by hospitals in China are subject to procurement planning. License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證) must also be obtained prior to the deployment and use of such medical equipment. For medical equipment classified as Class A large-scale medical equipment, such as heavy ion and proton radiotherapy systems and high-end radiotherapy equipment, License for Deployment of Large-scale Medical Equipment is issued by the NHC. For medical equipment classified as Class B large-scale medical equipment, such as PET/MR systems, PET/CT scanners, laparoscopic surgery systems and conventional radiotherapy equipment, relevant provincial healthcare administrative authorities conduct procurement planning and approvals with ratification by the NHC, and issue License for Deployment of Large-scale Medical Equipment. License for Deployment of Large-scale Medical Equipment is not required for medical equipment that is not classified as either Class A or Class B large-scale medical equipment. These rules concerning procurement of large-scale medical equipment apply to public and private medical institutions in China, whether non-profit or for-profit, except for military hospitals in China, which have a separate procurement system.

Once our medical institution has obtained License for Deployment of Large-scale Medical Equipment, the purchase of medical equipment is conducted through an internal tender process. The tender process is centralized in accordance with the relevant PRC laws and regulations and is supervised by the NHC for Class A large-scale medical equipment. For Class B large-scale medical equipment, the relevant provincial heath administrative authorities supervise the tender process. For certain facilities as required by our medical professional and small medical devices, we conduct direct procurement from our cooperated suppliers.

We select our suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among other things, their product offerings, pricing, reputation, service, product quality and delivery schedule. We generally do not rely on any single supplier for any of our major pharmaceuticals or medical consumables. We review and assess the performance and qualifications of our existing suppliers on a regular basis to ensure the quality of our supplies. Our suppliers are required to possess all licenses and permits necessary to conduct their operations.

Depending on the different types of supplies and our relationships with the suppliers, the terms of the supply agreements with our suppliers vary from supplier to supplier. We generally do not have long-term agreements with our suppliers. Our suppliers are generally responsible for arranging the delivery to our respective medical institutions at their own costs. We are entitled to return certain supplies that do not meet our standards upon inspection after delivery. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant return of supplies and had not suffered any significant loss or damages caused by quality problems with the supplies. We normally pay our suppliers via wire transfer. During the Track Record Period, we had not experienced any significant fluctuation in the prices of our supplies.

In 2020, 2021, 2022 and the six months ended June 30, 2023, purchase from our five largest suppliers in each year/period during the Track Record Period was RMB67.3 million, RMB186.9 million, RMB165.4 million and RMB91.6 million, respectively, accounting for 42.3%, 43.4%, 37.8% and 40.5% of our total purchases in the same periods, respectively, and purchase from our largest supplier in each year/period during the Track Record Period accounted for 12.2%, 16.3%, 17.7% and 17.5% of our total purchases in the same periods, respectively. The following table sets forth certain information of our five largest suppliers in each year/period during the Track Record Period.

| Supplier* | Transaction amount | Percentage of total purchases | Length of relationship as of the corresponding year end | Principal business |
|---|---|---|---|---|
| | *(RMB in millions)* | *(%)* | *(year)* | |
| ***For the year ended December 31, 2020*** | | | | |
| Supplier A[(2)] | 19.4 | 12.2 | six | Cancer research, treatment, and education |
| Supplier B[(3)] | 16.0 | 10.0 | three | Manufacturing and sales of pharmaceuticals and medical equipment |
| Supplier C[(4)] | 15.8 | 9.9 | five | Sales of pharmaceuticals and consultation service |
| Supplier D[(5)] | 8.8 | 5.5 | two | Infrastructure development and property investment |
| Supplier E[(6)] | 7.3 | 4.6 | one | Sales, consultation service and technical service |
| **Total** | **67.3** | **42.3** | | |

| Supplier* | Transaction amount | Percentage of total purchases | Length of relationship as of the corresponding year end | Principal business |
|---|---|---|---|---|
| | *(RMB in millions)* | *(%)* | *(year)* | |
| ***For the year ended December 31, 2021*** | | | | |
| Supplier F(7) | 70.3 | 16.3 | two | Sales of medical equipment and technical service |
| Supplier G(8) | 38.8 | 9.0 | one | Development and sales of computer hardware and software systems |
| Supplier B(3) | 32.3 | 7.5 | four | Manufacturing and sales of pharmaceuticals and medical equipment |
| Supplier C(4) | 26.2 | 6.1 | six | Sales of pharmaceuticals and consultation service |
| Supplier D(5) | 19.3 | 4.5 | three | Import and export agency and sales of medical equipment |
| **Total** | **186.9** | **43.4** | | |
| ***For the year ended December 31, 2022*** | | | | |
| Supplier F(7) | 77.4 | 17.7 | three | Sales of medical equipment and technical service |
| Supplier H(9) | 29.1 | 6.7 | two | Plantation of traditional Chinese medical herbs and sales of medical devices |
| Supplier G(8) | 20.4 | 4.7 | two | Development and sales of computer hardware and software systems |
| Supplier I(10) | 19.9 | 4.6 | three | Sales and leases of medical devices, equipment and labor protection supplies |
| Supplier C(4) | 18.6 | 4.2 | seven | Sales of pharmaceuticals and consultation service |
| **Total** | **165.4** | **37.8** | | |

| Supplier* | Transaction amount | Percentage of total purchases | Length of relationship as of the corresponding year end | Principal business |
|---|---|---|---|---|
| | (RMB in millions) | (%) | (year) | |
| ***For the six months ended June 30, 2023*** | | | | |
| Supplier F[7] | 39.7 | 17.5 | four | Sales of medical equipment and technical service |
| Supplier J[1][11] | 16.0 | 7.1 | four | Sales of medical equipment, consultation and technical service |
| Supplier B[3] | 12.9 | 5.7 | six | Development, manufacturing and sales of pharmaceuticals |
| Supplier G[8] | 12.1 | 5.4 | three | Technical development, sales and services |
| Supplier K[12] | 10.9 | 4.8 | one | Sales of medical equipment and technical service |
| **Total** | **91.6** | **40.5** | | |

* We have proactively requested for disclosing the identities of the top five suppliers in each year/period during the Track Record Period through email communications. For the suppliers who agreed so, we have disclosed their names accordingly as stated below. For the suppliers who disagreed, or the contracts with them contain confidentiality clauses that restrict us from disclosing their identities, we consider that their identities cannot be disclosed, and has instead disclosed their respective background information as stated below. We believe that the existing information provides sufficient information about our suppliers, in accordance with the norm of public disclosures from other companies with the Stock Exchange.

(1) Supplier J was one of our five largest customers, Customer C, in 2020 and 2022, respectively. See "—Our Customers."

(2) Supplier A is a comprehensive cancer center primarily engaged in cancer research, treatment, and education. Supplier A was created in 1941 as part of The University of Texas system. Supplier A is located in central Houston, Texas, the United States.

(3) Supplier B refers to Shanghai Pharmaceuticals Holding Co., Ltd. Supplier B is a public company listed on the Stock Exchange and the Shanghai Stock Exchange, and is located in Shanghai.

(4) Supplier C refers to China National Pharmaceutical Group Corporation. Supplier C is a state-owned company located in Beijing.

(5) Supplier D refers to Shanghai New Hongqiao International Medical Center Construction and Development Co., Ltd. Supplier D is a state-owned company located in Shanghai.

(6) Supplier E is a private company primarily engaged in sales, consultation service and technical service. Supplier E was established on September 10, 2018. Supplier E is located in Hong Kong.

(7) Supplier F is a private company primarily engaged in sales of medical equipment and technical service. Supplier F was established on July 27, 2020. Supplier F is located in Beijing with registered capital of RMB50.0 million.

(8) Supplier G is a private company primarily engaged in development and sales of computer hardware and software systems. Supplier G was established on August 5, 2005. Supplier G is located in Shenzhen, Guangdong province with registered capital of RMB10.0 million.

(9) Supplier H is private company primarily engaged in plantation of traditional Chinese medical herbs and sales of medical devices. Supplier H was established on August 7, 1996. Supplier H is a state-owned company located in Guangzhou, Guangdong province with registered capital of RMB125.3 million.

(10) Supplier I refers to Hong Kong Heal Force Development Ltd. Supplier I is a private company located in Hong Kong.

(11) Supplier J/Customer C is a private company primarily engaged in sales of medical devices and other goods. Supplier J/Customer C was established on July 8, 2011. Supplier J/Customer C is located in Beijing with registered capital of RMB20.0 million.

(12) Supplier K is a private company primarily engaged in sales of medical equipment and technical service. Supplier K was established on August 15, 2019. Supplier K is located in Beijing with registered capital of RMB10.0 million.

All of our five largest suppliers in each year/period during the Track Record Period were Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, Supervisors, their respective close associates or any Shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers in each year/period during the Track Record Period.

Our inventories primarily comprise pharmaceuticals and medical consumables. While each of our medical institutions maintains its own inventory, we carry out the overall inventory management through a centralized system. Our medical institutions generally maintain 30 days of inventory for pharmaceuticals and medical consumables to meet their needs. Upon inspection after delivery, medical supplies are put into storage areas with controlled temperature and humidity. We typically review our inventories on hand on a monthly basis. We carry out regular onsite inventory counts to verify the accuracy of our inventory records and we closely monitor inventory expiry dates to ensure no expired items will be used. Once the supplies are expired, we will safely dispose of them in accordance with applicable laws and regulations, and write off them accordingly.

## TECHNOLOGY AND INFRASTRUCTURE

We have implemented several medical information technology systems in our medical institutions to improve the efficiency of our operation, including the HIS, the electronic medical records system ("EMRS"), the Picture Archiving and Communication System ("PACS"), the Laboratory Information System ("LIS"). HIS helps us with daily operations at our medical institutions by managing all clinical, medical, financial and administrative information, including the management of patient records and billing history, pharmacy warehouse and the staffing of medical professionals. PACS is an integrated application system for digital medical equipment, such as CT and MRI scans. LIS performs various functions, including processing, storing and managing data from medical tests. EMRS provides digital storage of our patient's medical records. Our HIS also incorporates SIS, which digitally connects the billing records with the local medical insurance clinics and calculates the amount of medical insurance reimbursement payments.

Our technological capabilities are also the backbone of our cloud platform business operations, which establishes the foundation for us to support the key participants along the oncology healthcare value chain. Through the integration of medical resources and services, we offer our Internet Hospital and cloud platforms to help enhance the accessibility, efficacy and affordability of oncology healthcare services. We have established highly-effective and scalable technology infrastructure to accommodate and support the increased complexity and diversity of our business operations.

We plan to continue to upgrade and improve our information technology systems to support the growth and expansion of our business and operations. In particular, we plan to further develop our Internet Hospital and our SaaS products, such as our Jiahe Cloud Asset Management Platform, facilitating more enterprise customers with the digitalized management systems.

## DATA PRIVACY AND PROTECTION

We are committed to protecting our customers' data and privacy. To that end, we implement strict protocols on data collection, transmission, storage and usage, and have technologies and systems in place to safeguard against unauthorized data access and disclosure.

As part of our routine operations, we collect and store medical data, treatment records and other information of our patients that is necessarily required for our medical services. We collect basic personal information, such as name, identity card number and health and medical data (such as medical records and diagnosis results), transaction data and operational data of hospitals to offer medical services (including offline medical institutions and Internet Hospital) to patients, calculating bills and collecting payment for medical services, and for reporting to regulatory authorities as required. We collect health and medical data of customers' patients in offering comprehensive solutions for hospital oncology diagnosis and treatment under our medical equipment, software and related services. The health and medical data of customers' patients may be collected and stored on behalf of the customers for the provision of remote diagnosis, oncology treatment regimens evaluation services to customers. We collect personal information of users, including among others, users' name, mobile phone number, gender, and health data collected through the use of medical devices by users to provide physiological parameter detection and health management services through our AI-enabled applications and WeChat mini-programs to users continuously. PRC laws and regulations generally require medical institutions and their medical professionals to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. We have internal policies requiring our employees to maintain the confidentiality of our patients' personal information and protect data privacy and security. See "—Risk Management and Internal Control—Patient Information Security."

In addition, we enter into confidentiality agreements with our employees who have access to our data and information. The confidentiality agreements provide that, among others, these employees are legally obligated not to share, distribute or sell our confidential data and information, including our patients' and other parties' data and information in possession during their employment, to any third parties, including other employees who have no access to such data and information. These employees are also legally obligated to surrender all confidential data and information in possession upon resigning and to retain their confidential obligations afterwards. Such employees bear compensation liability if they breach their confidential obligations or otherwise commit misconduct resulting in leakage of our confidential data and information. Furthermore, we take safety precautions to maintain our technology infrastructure to further protect our data and information. We assign designated personnel to take charge of the operation, maintenance and security management of our technology infrastructure, as well as data backup and disaster recovery, and implement corresponding protocols. We also perform system check and monitoring on a regularly basis to detect and deter potential security breaches and other security incidents and threats. Moreover, we engage firewall services to effectively safeguard against sophisticated hacker attacks. Our medical institutions also accept external physicians and medical experts to conduct multi-site practice and invite external physicians and medical experts to provide technical support and consultation services to Guangzhou Hospital and Guangzhou Outpatient Center. Our medical institutions collect necessary personal information from external physicians and medical experts for the purpose of completing the multi-site practice filing, and such personal information is only used for the purpose of completing the multi-site practice filing and our daily personnel management. We have adopted measures as detailed as described above to protect such personal information of the external physicians and medical experts.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data loss or security breach incidents. As advised by our PRC Legal Advisor, we are in compliance in all material respects with all applicable currently effective PRC laws and regulations with respect to data privacy and protection as of the Latest Practicable Date. During the Track Record Period, no data breach security incidents occurred, and we were not found to be subject to administrative penalty or investigation with respect to user data privacy and security control and has not been faced with any related legal or regulatory proceedings related to data privacy.

## COMPETITION

According to the F&S Report, the oncology healthcare service industry in China is highly competitive and fragmented with a large number of market players. We primarily compete with public and private general hospitals with oncology departments as well as public and private oncology medical institutions. Our medical institutions primarily compete on the bases of cancer diagnosis and treatment technology, range of service offerings, service quality, reputation, accessibility, medical professionals, medical equipment and pricing. We believe our market leadership position supported by technical and operational excellence will position us well to compete effectively with existing and new market players. See "Industry Overview" for details.

While the MDT approach is sporadically implemented in China, we have a team of physicians from various disciplines and nursing staff to attend to the patient's needs and customize the most suitable treatment plan, which has set us apart from our peers in terms of service quality and treatment efficacy. We have also developed industry-leading medical technology in precision radiation therapy and diagnostic pathology and imaging, forming a technological barrier against our competitors. In particular, we participate in the formulation of several national radiation therapy industry standards in China. Furthermore, we have formulated pre-eminent patient care standard and hospital management practice leveraging our strategic collaboration with world-renowned medical institutions, which we believe can strengthen our leadership position in the market and contribute to our continued growth. Moreover, we have self-owned cancer hospitals geographically distributed across China, and are the only one among the top five players in China's private oncology healthcare service market expected to provide proton therapy in the near future, which positions us well to capture the needs of various patients.

## INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We rely on a combination of contractual restrictions, confidentiality procedures and intellectual property registrations to establish and protect our intellectual properties. As of the Latest Practicable Date, we had registered 23 patents, 138 trademarks, 151 copyrights and six domain names in use in China. See "Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights" in Appendix V to this document for details. During the Track Record Period and up to the Latest Practicable Date, we were not engaged in or threatened with any claim for any material infringement of any intellectual property rights, whether as a claimant or as a defendant.

## PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

### Owned Properties

As of the Latest Practicable Date, we owned land use rights to two parcels of land in China with a total gross site area of 81,200.10 sq.m., in respect of which we have two construction projects with a GFA of approximately 41,323.2 sq.m. and 144,288.0 sq.m., respectively, upon completion of the construction, in Guangzhou and Shanghai, respectively. The following table sets forth a summary of our owned land use rights as of the Latest Practicable Date:

| No. | Owner/Occupier | Location | Purpose | Land Use Right Certificate | Gross Site Area (sq.m.) | Construction-Related Permit |
|---|---|---|---|---|---|---|
| 1. | Shanghai Hospital | Shanghai | Hospital premises | Yes | 47,867.1 | Yes |
| 2. | Guangzhou Hospital | Guangzhou | Hospital premises | Yes | 33,333.0 | Yes |

### Leased Properties

As of the Latest Practicable Date, we leased 23 properties from third parties in China with a total GFA of approximately 28,837 sq.m. for the operation of our medical institutions and our offices, registered addresses and staff accommodations. Our lease agreements with third parties in respect of the abovementioned leased properties generally have expiration dates ranging from January 1, 2024 to December 2036. We had entered into long-term lease agreements for some of our medical institutions with a term of five years or more, considering that our operation of such medical institutions has been and was expected to remain stable for years, and that the rental fees for long-term leases were would be discounted compared with short-term leases. Our long-term lease agreements generally have break clauses. We plan to renew our leases or negotiate new terms when the existing leases expire. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. We believe that there is sufficient supply of properties in China.

As of the Latest Practicable Date, certain of our leased properties from third parties had title defects, including three leased properties for which the relevant lessors had not provided us with valid property ownership certificate documents. Such leased properties are used as our offices or staff accommodations and there are other alternative leased properties available in the relevant local areas. As of the Latest Practicable Date, we were not aware of any challenge by a third party or government authority on the titles of any of our leased properties that might affect our current occupation. Given the reasons above, our Directors believe that such title defects do not and will not have any material financial or operational impact on us.

As of the Latest Practicable Date, 19 of our lease agreements with third parties had not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisor, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB190,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our results of operations or financial condition. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

## EMPLOYEES

As of June 30, 2023, we had a total of 765 employees. The following table shows a breakdown of our employees by function as of the date indicated.

| | As of June 30, 2023 | |
|---|---|---|
| **Functions** | **Number of Employees** | **% of Employees** |
| Management | 10 | 1.3 |
| Operations | 442 | 57.8 |
| Administrative | 198 | 25.9 |
| Sales and marketing | 52 | 6.8 |
| Research and development | 66 | 8.6 |
| **Total** | **765** | **100.0** |

Our success depends on our ability to attract, retain and motivate qualified personnel. We provide both in-house and external trainings for our employees to improve their skills and knowledge. Remuneration packages for our employees mainly comprise base salary and performance-related bonus. We set performance targets for our employees primarily based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. As required under PRC labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. In compliance with PRC regulations, we participate in various employee social insurance plans that are organized by applicable local municipal and provincial governments, including maternity, pension, medical, work-related injury and unemployment benefit plans, as well as housing provident funds. We are required under PRC laws to make contributions to employee benefit plans. See "Risk Factors—Risks Relating to Our Business and Industry—We face certain legal and regulatory risks relating to laws and regulations on social insurance and housing provident fund."

We believe we have maintained good relationships with our employees. Employees of our medical institutions are not represented by a labor union. We had not experienced any material strikes, work stoppages, or labor disputes or actions or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

## AWARDS, RECOGNITION AND MAJOR PUBLICATIONS

We have received awards and recognition for the quality of our services. The following table sets forth the recent major awards and recognitions we have received in recent years.

| Year | Award/Recognition | Award/Recognition Issuing Authority | Award Receiving Entity |
|---|---|---|---|
| 2020 | 2019 Annual Outstanding Hospital, and member of the National Cancer Center of China | National Cancer Center of China | Datong Hospital |
| 2021 | 5G+ Medical and Health Application Pilot Institution | MIIT and NHC | Shanghai Imaging Center |
| 2021 | Member of the Guangdong Provincial Hospital Association | Guangdong Provincial Hospital Association | Guangzhou Hospital |
| 2022 and 2023 | First Place in Guangzhou Medical Case Data Quality Control System Evaluation | Guangzhou Municipal Health Commission | Guangzhou Hospital |
| 2022 | Grand Prize in Chuangke Beijing Huakun Zhenyu Shengteng AI Innovation Contest | Beijing Municipal Bureau of Economy and Information Technology<br>Beijing Municipal Bureau of Finance<br>People's Government of Mentougou District, Beijing<br>People's Government of Fengtai District, Beijing<br>Zhongguancun Development Group Co., Ltd.<br>Huawei Technologies Co., Ltd. | Beijing Healthingkon |

| Year | Award/Recognition | Award/Recognition Issuing Authority | Award Receiving Entity |
|---|---|---|---|
| 2023 | Director of the Tumor Music Intervention Committee of Chinese Anti-Cancer Association | Chinese Anti-Cancer Association | Guangzhou Hospital |
| 2023 | Guangzhou Clinical High-tech, Major and Specialized Technology Project—Establishment of Clinical Quality Control and Translational Research System Based on the Clinical Application of Proton Frontier Radiotherapy Technology | Guangzhou Municipal Health and Health Commission | Guangzhou Hospital |

Our medical institutions have gained widespread recognition for their medical research and publications. The following table sets forth some of our major publications in recent years.

| Issuing Time | Article Title | Publication | Journal Type |
|---|---|---|---|
| June 2020 | Cost-Effectiveness Analysis of Proton Beam Therapy for Treatment Decision Making in Paranasal Sinus and Nasal Cavity Cancers in China | BMC Cancer | SCI |
| December 2020 | Identifying Discriminative Biological Function Features and Rules for Cancer-Related Long Non-coding RNAs | Frontiers in Genetics | SCI |
| March 2021 | Normal tissue complication probability (NTCP) models of acute urinary toxicity (AUT) following carbon ion radiotherapy (CIRT) for prostate cancer | Radiotherapy and Oncology | SCI |
| April 2021 | Development of a joint prediction model based on both the radiomics and clinical factors for predicting the tumor response to neoadjuvant chemoradiotherapy in patients with locally advanced rectal cancer | Cancer Management and Research | SCI |
| November 2021 | Landscape of Carbon Ion Radiotherapy in Prostate Cancer Clinical Application and Translational Research | Frontiers in Oncology | SCI |
| April 2022 | Radioprotective effect of X-ray abdominal FLASH irradiation: Adaptation to oxidative damage and inflammatory response may be benefiting factors | MEDICAL PHYSICS | SCI |
| May 2022 | Effect of Induction Chemotherapy With Paclitaxel, Cisplatin, and Capecitabine vs Cisplatin and Fluorouracil on Failure-Free Survival for Patients With Stage IVA to IVB Nasopharyngeal Carcinoma: A Multicenter Phase 3 Randomized Clinical Trial | JAMA Oncology | SCI |

| Issuing Time | Article Title | Publication | Journal Type |
|---|---|---|---|
| August 2022 | Cost-effectiveness of using protons for breast irradiation aiming at minimizing cardiotoxicity: A risk-stratification analysis | Front Med (Lausanne) | SCI |
| November 2022 | Establishment and validation of novel MRI radiomic feature-based prognostic models to predict progression-free survival in locally advanced rectal cancer | Frontiers in Oncology | SCI |
| April 2023 | Integrated strategies for chemotherapy cycles in nasopharyngeal carcinoma patients: Real-world data from two epidemic centers guiding decision-making | Chinese Journal of Cancer Research | SCI |
| June 2023 | China Integrated Cancer Technology Guidelines (CACA) Particle Therapy Guidelines—Pancreatic Cancer Proton Heavy Ion Therapy Treatment Guidelines | Chinese Anti-Cancer Association | Publication of guidelines by industry association |

## LICENSES, PERMITS AND APPROVALS

The oncology healthcare service industry in which we operate is strictly regulated in China. We are required by applications laws and regulations in China to obtain various licenses, permits and approvals for our operations.

In addition to the Medical Institution Practicing Licenses (醫療機構執業許可證), we have also obtained other licenses and permits such as License for the Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證), License for Radiation Therapy (放射診療許可證), License for Radiation Safety (輻射安全許可證), License for Use of Radioactive Pharmaceuticals (放射性藥品使用許可), Filing Record for Pathogen Microbiology Laboratory (病原微生物實驗室備案), Seal Card for the Purchase and Use of Narcotic Pharmaceuticals and Class I Psychotropic Substances (麻醉藥品、第一類精神藥品購用印鑒卡), Qualification Certificate for Internet Pharmaceuticals Information Service (互聯網藥品信息服務資格證書), License for Medical Device Production (醫療器械生產許可證), License or Filing Record for Medical Device Operation (醫療器械經營許可證或備案憑證), Registration Certificate for Medical Device (醫療器械註冊證) and Registration Certificate for Use of Special Equipment (特種設備使用登記證), etc. For instance, we have obtained the required Licenses for the Deployment of Class B Large-scale Medical Equipment (乙類大型醫用設備配置許可證) for the relevant medical equipment in Datong Hospital, Guangzhou Hospital, Shanghai Outpatient Center and Shanghai Imaging Center. See "Regulatory Overview—Regulations on the Classification and the Administration of Medical Institutions" and "Regulatory Overview—Regulations on Pharmaceuticals and Medical Devices in Medical Institutions" for more details.

The following table sets forth the major licenses, permits and approvals held by us as of the Latest Practicable Date.

| Receiving Entity | License/Permit/Certificate | Issuing Body | Effective Date | Expiration Date |
|---|---|---|---|---|
| Beijing Yundu | Class II Medical Device Operation Filing Certificate | Administration for Market Supervision of Beijing City Daxing District (北京市大興區市場監督管理局) | January 14, 2022 | N/A[(1)] |
| Datong Hospital | Medical Institution Practicing License | Datong City Administrative Examination and Approval Service Management Bureau (大同市行政審批服務管理局) | May 17, 2021 | April 30, 2033 |
| | License for Radiation Therapy | Health Commission of Shanxi Province (山西省衛生健康委員會) | June 3, 2021 | N/A[(1)] |
| | Radiation Safety License | Datong Municipal Ecology and Environment Bureau (大同市生態環境局) | November 7, 2020 | November 26, 2025 |
| Shanghai GP Clinic | Clinic Registration Certificate | Shanghai Minhang District Health Commission (上海市閔行區衛生健康委員會) | September 20, 2023 | N/A[(1)] |
| Shanghai Imaging Center | Medical Institution Practicing License | Shanghai Municipal Health Commission | September 10, 2019 | September 9, 2024 |
| | License for Radiation Therapy | Shanghai Municipal Health Commission | September 16, 2022 | N/A[(1)] |
| | Radiation Safety License | Shanghai Municipal Ecology and Environment Bureau (上海市生態環境局) | August 17, 2022 | June 25, 2024 |
| Shanghai Outpatient Center | Medical Institution Practicing License | Shanghai Municipal Health Commission | April 25, 2021 | April 24, 2026 |
| | License for Radiation Therapy | Shanghai Municipal Health and Family Planning Commission (上海市衛生和計劃生育委員會) | February 28, 2019 | N/A[(1)] |
| | Radiation Safety License | Shanghai Municipal Ecology and Environment Bureau | December 25, 2019 | December 24, 2024 |
| Guangzhou Hospital | Medical Institution Practicing License | Guangzhou Municipal Health Commission (廣州市衛生健康委員會) | May 12, 2021 | May 11, 2036 |
| | License for Radiation Therapy | Guangdong Municipal Health Commission (廣東省衛生健康委員會) | August 30, 2022 | N/A[(1)] |
| | Radiation Safety License | Ministry of Ecology and Environment (生態環境部) | July 6, 2022 | April 29, 2026 |

| Receiving Entity | License/Permit/Certificate | Issuing Body | Effective Date | Expiration Date |
|---|---|---|---|---|
| | Class III Medical Device Registration License (第三類醫療器械註冊證) | Administration for Market Regulation of Guangzhou (廣州市市場監督管理局) | February 17, 2022 | February 16, 2027 |
| | Class II Medical Device Operation Filing Certificate (第二類醫療器械經營備案憑證) | Administration for Market Regulation of Guangzhou | November 17, 2021 | N/A[(1)] |
| Guangzhou Outpatient Center | Medical Institution Practicing License | Guangzhou City Yuexiu District Health Bureau (廣州市越秀區衛生健康局) | December 28, 2022 | January 28, 2028 |
| | License for Radiation Therapy | Guangzhou City Yuexiu District Health Bureau | February 24, 2022 | N/A[(1)] |
| | Radiation Safety License | Guangzhou Municipal Ecology and Environment Bureau (廣州市生態環境局) | January 14, 2022 | December 21, 2025 |
| | Class II Medical Device Operation Filing Certificate | Administration for Market Regulation of Guangzhou | March 30, 2022 | N/A[(1)] |
| Guangzhou Meizhong Jiahe Technology Service Co., Ltd. | Class III Medical Device Registration License | Administration for Market Regulation of Guangzhou | June 8, 2022 | June 7, 2027 |
| | Class II Medical Device Business Registration Certificate | Administration for Market Regulation of Guangzhou | June 1, 2022 | N/A |
| | Qualification Certificate for Internet Pharmaceuticals Information Service | Guangdong Province Medical Products Administration (廣東省藥品監督管理局) | May 12, 2022 | May 11, 2027 |
| | Value-added Telecommunications Business Operating License (增值電信業務經營許可證) | MIIT | July 18, 2022 | July 18, 2027 |
| Beijing Healthingkon | Class II Medical Device Operation Filing Certificate | Beijing Economic and Technological Development Zone market supervision and Administration (北京經濟技術開發區市場監督管理局) | September 18, 2023 | N/A[(1)] |
| Shenzhen Aohua | Radiation Safety License | Shenzhen Municipal Ecology and Environment Bureau (深圳市生態環境局) | August 5, 2022 | December 23, 2025 |
| | Class III Medical Device Registration License | Administration for Market Regulation of Shenzhen(深圳市場監督管理局) | October 10, 2023 | November 16, 2027 |

| Receiving Entity | License/Permit/Certificate | Issuing Body | Effective Date | Expiration Date |
|---|---|---|---|---|
| | Class II Medical Device Operation Filing Certificate | Administration for Market Regulation of Shenzhen | January 28, 2023 | N/A(1) |
| Internet Hospital | Medical Institution Practicing License | Yinchuan Examination and Approval Service Management Bureau (銀川審批服務管理局) | April 30, 2021 | April 29, 2026 |
| | Qualification Certificate for Internet Pharmaceuticals Information Service | Ningxia Hui Autonomous Region Medical Products Administration (寧夏回族自治區藥品監督管理局) | June 23, 2021 | June 22, 2026 |
| Chengdu Wenjiang Healthingkon Internet Hospital Co., Ltd. | Medical Institution Practicing License | Administrative Approval Bureau of Chengdu City Wenjing District (成都市溫江區行政審批局) | May 11, 2022 | May 10, 2027 |

(1) There is no expiration date for such license/permit/certificate once issued.

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, save as disclosed in this section, we have obtained all licenses, permits and approvals necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licenses, permits and approvals were valid and remained in effect.

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits and approvals prior to the expiration date. As of the Latest Practicable Date, we had not experienced material difficulty in renewing the required licenses, permits and approvals for our business operations. Our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, there is no material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in future as long as we meet the requirements and follow the procedures under applicable laws, regulations and rules as required by the relevant regulatory authorities. See "Risk Factors—Risks Relating to Our Business and Industry—We conduct our business in a strictly regulated industry and are subject to on-going compliance costs."

## INSURANCE

We maintain medical liability insurance for all of our self-owned hospitals and outpatient centers, renewable on an annual basis. We also maintain property insurance, covering assets such as the medical equipment at our medical institutions, business interruption insurance and physician liability insurance for some of our medical institutions. We do not maintain keyman life insurance and insurance policies covering damages to our technical infrastructure, which are not mandatory under PRC laws. In addition, we are typically required to purchase insurance for our leased medical equipment under the operating lease arrangement with partnered hospitals. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

Under PRC laws and regulations, we are required to make social insurance and housing provident funds contributions for the benefit of our employees. During the Track Record Period, we did not make adequate social insurance and housing provident fund contributions for certain employees or make timely registration with the relevant social insurance or housing provident fund authorities, primarily due to the oversight and lack of comprehensive understanding by the responsible staff of the relevant local regulations. We estimate that the accumulated shortfall of social insurance and housing provident fund contributions as of December 31, 2020, 2021, 2022 and June 30, 2023 was approximately RMB1.7 million, RMB3.7 million, RMB4.7 million and RMB5.0 million, respectively, which we believe would not have a material adverse effect on our business. As a result, we did not make any provisions in connection with the foregoing incident during the Track Record Period. Considering that (1) we have obtained confirmations from the relevant competent government authorities, confirming that no administrative penalty was imposed on us in relation to our social insurance and housing provident fund contributions during the Track Record Period; (2) during the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalty in relation to social insurance and housing provident fund contributions, and we had not received any notice from relevant competent government authorities regarding any claim for inadequate contributions of our current and former employees, nor any notifications from the relevant competent government authorities requiring us to pay the shortfalls; (3) we were not aware of any material employee complaints or claims with respect to inadequate social insurance and/or housing provident fund contributions; (4) we have been communicating with the competent government authorities and undertake that, in the event that competent government authorities require us to make contributions within a stipulated time period or make supplementary contributions and late fees, we will duly comply in a timely manner; and (5) as of the Latest Practicable Date, we have made full payment of the social insurance and housing provident fund contributions for all of our employees, our PRC Legal Advisor is of the view that the likelihood that the relevant competent government authorities would impose fines on us due to our failure to make full payment of the social insurance and housing provident funds during the Track Record Period is low as long as we make the outstanding contributions and late fees, if any, within a prescribed time period upon request from the competent government authorities. Our Directors are of the view that such payment would not have a material adverse effect on our financial condition or results of operations. See "Risk Factors—Risks Relating to Our Business and Industry—We face certain legal and regulatory risks relating to laws and regulations on social insurance and housing provident fund."

Our Directors are of the view that the insurance coverage for our operations was adequate and was in line with industry practice as of the Latest Practicable Date. However, the risks related to our business and operations may not be fully covered by insurance. See "Risk Factors—Risks Relating to Our Business and Industry—We may not carry adequate insurance for our medical professionals and other liabilities which may arise in our business, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources."

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to fulfilling our corporate responsibility as to environmental, social and governance ("ESG") matters and believe ESG is essential to our continued growth. We will continue to actively participate in designation of our ESG strategies and targets, and evaluate, assess and address our ESG risks and review our key ESG performance on a regular basis in accordance with the applicable Listing Rules upon the **[REDACTED]**.

Our medical institutions are subject to various PRC laws, regulations and rules with respect to environmental matters, including disposal of medical waste and discharge of waste water, air pollutants and radioactive substances. See "Regulatory Overview—Regulations on Environmental Protection Related to Medical Institutions" for details. We have implemented internal policies and procedures in this regard and engaged qualified third-party service providers to arrange proper disposal in accordance with applicable laws and regulations. In addition, our Board has adopted a comprehensive policy on ESG responsibilities (the "ESG Policy") in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations, and shall take effect upon the **[REDACTED]**.

### Governance on ESG Matters

Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board may assess the ESG risks and review our existing strategy, target and internal controls, and suggest for enhancements for our ESG management schemes. Our management team is generally responsible for carrying out the ESG policies in executing the Company's business operations. Furthermore, we will form an ESG working group that will work on ESG requirements of our suppliers, including giving priority to suppliers with environmentally friendly products and services. Our ESG working group will also closely monitor environmental and social risks in our supply chain. Finally, our Board will also engage independent third parties to evaluate potential ESG risks faced by our Company, provide comment on our ESG Policy and strategies, and set targets so that the ESG Policy will be up-to-date.

We monitor ESG-related risks and opportunities that may impact our business, strategy and financial performance and evaluate the magnitude of resulting impact by taking into consideration the metrics and targets stipulated in Appendix 27 to the Listing Rules and applicable laws, regulations and industry standards. We will have a specific focus on environmental matters, such as the use of toxic and hazardous chemicals, wastage and pollution before, during and after medical treatment. We will also take environmental protection as an important part in employee training, and continue to raise the awareness of energy conservation and environmental protection of all employees in the Group, helping us achieve a green, healthy and sustainable development.

**ESG Policies and Measures**

We attach great importance to the radiation safety and protection of radiation therapy and continuously put great efforts into creating a safe, comfortable and first-class diagnosis and treatment environment for our patients. We have adopted comprehensive internal control mechanisms to ensure our compliance with relevant regulations. See "Regulatory Overview—Regulations on Environmental Protection Related to Medical Institutions—The Law of PRC on Prevention and Control of Radioactive Pollution and Safety Management of Radioactive Waste." In each medical radiation site, we strictly implement radiation monitoring and protection protocols and conduct occupational hazards and environmental impact assessments for large radioactive equipment sites, ensuring that the protective equipment such as shielding wall and shielding doors are adequately equipped. In addition, our medical institutions have designated personnel team responsible for formulating and improving the quality control standards of the medical institution, regularly evaluating the quality control effectiveness of medical services, proposing corrective measures for quality problems in medical services, and monitoring their implementation, to comprehensively maintain the safety of medical services. For instance, each of our medical institutions has set up a monitoring mechanism over radiation frequencies on therapies and projects including, among others, the linear accelerators and CT machines to ensure compliance with our internal radiation monitoring mechanism. We collect data on the pollutant and emissions during various medical treatments, as well as subsequent data on customer complaints and safety incidents caused by our services, if any, for the purpose of cost calculation and comparison of the management of environmental protection and product safety over the entire process of medical treatments, and to follow up any findings that may need to be addressed.

Our offline medical institutions also generate solid waste, primarily including hazardous medical waste and non-hazardous waste. Each of our offline medical institutions have strictly implemented classified management of medical waste according to Catalogue of Classified Medical Wastes (醫療廢物分類目錄) issued by the NHC. See "Regulatory Overview—Regulations on Environmental Protection Related to Medical Institutions—Regulations on the Administration of Medical Waste and the Measures of the Administration of Medical Waste of Medical Institution." Our offline medical institutions also implement Policies on the Administration of Medical Waste (醫療廢物管理制度) to standardize the storage, collection, handover, transportation, and recovery and disposal of medical waste, as well as emergency plans for medical waste accidents. We also conduct training on legal, technical, safety protection, and emergency treatment knowledge to enhance the professional skills and sense of responsibility of our relevant personnel with respect to medical waste disposal. In addition, we have also set internal standards on the safety of various products and the management of wastes in accordance with our Pollution Control Standards for the Treatment and Disposal of Clinical Waste (醫療廢物處理處置污染控制標準).

**ESG Metrics**

The following table sets forth the key metrics of our ESG performance for each year/period during the Track Record Period.

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| Electricity (kWh)(1) | 2,179,702 | 10,678,617 | 15,073,989 | 7,381,365 |
| Water consumption (tonnes)(2) | 10,295 | 39,518 | 53,085 | 23,512 |
| Water wastage ($m^3$)(3) | 6,607 | 36,826 | 51,802 | 22,988 |

(1) The unit of electricity consumed is calculated by dividing the electricity fee by the unit price. The unit price is based on the average electricity consumption in the relevant regional area of our offices and medical institutions in the PRC.

(2) The water usage is calculated by dividing the water fee by the unit price based on our best estimate of our measurable medical institutions.

(3) The water wastage is calculated based on our best estimate of our measurable medical institutions.

We collect data on pollutant and emissions, as well as data on patient complaints, safety incidents caused by services or products used in our medical institutions. We have set up key environmental metrics to assess our

ESG performance where appropriate, including among others, the amount of Scope 1 and Scope 2 greenhouse gas emissions, hazardous and non-hazardous waste, direct and/or indirect energy consumption (such as electricity, gas or oil), and water consumption.

We believe that we are not susceptible to climate change, and we have not experienced extreme weather in the areas where we conduct our operations. As of the Latest Practicable Date, we had not experienced any material impact on our business operations or financial performance as a result of climate change or extreme weather conditions.

The ESG metrics adopted by other industry players vary based on the number of their affiliated medical institutions and the number of beds in each medical institution, according to the F&S Report. However, we believe such information is still of reference value, and have implemented policies requiring to benchmark our performance against our peers in similar business operations through official websites, publicly disclosed information from relevant companies, or by hiring professional service providers. The results of comparison along with recommendations are required to be reported to our senior management to determine whether enhancement and additional measures in any specific areas are to be formulated as part of our continuous effort in preventing, minimizing and controlling pollution to the environment.

Our experience in radiation safety and environmental protection was well recognized. For instance, Guangzhou Hospital was invited by Guangdong Radiation Protection Association and participated in the formulation of the national standard, 2021 Requirement of Radiation Safety and Protection for Radiotherapy (放射治療輻射安全與防護要求(HJ1198-2021)), which was officially implemented on December 1, 2021 by the Ministry of Ecology and Environment of PRC. Our Directors confirm that, as of the Latest Practicable Date, we have obtained all applicable permits and licenses necessary to conduct our operations under PRC laws and regulations relating to product safety and environmental protection in all material aspects. In addition, as of the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to health, safety, social and environmental protection (including the use of toxic and hazardous chemicals, wastage and pollution before, during and after medical treatment), or been involved in any significant workplace accident or fatality.

Corporate social responsibility is also a key part of our core growth philosophy which, along with our focus on sustainability, diversity and public interests, is expected to generate value for our Shareholders. As such, we have established the ESG Policy in accordance with the Listing Rules, applicable laws, regulations and industry standards. These rules set forth our corporate social responsibility objectives and provides guidance on how we practice corporate social responsibility in our daily operations.

We sustainably connect with our employees, customers, and business partners through a combination of initiatives which create long-lasting benefits to our Company as a community, these initiatives include training activities for employees, encouraging our suppliers to adopt measures for reducing environmental impacts. In addition, under our established ESG Policy, we have also been promoting diversity at our Company through continuous implementation of pro-diversity management practices, as well as through equal, fair treatment and career opportunities for all employees. Our Company maintains a policy against discrimination related to sex, family roles, disability, religion and race in all our hiring processes. Overall, we aim to cultivate health, well-being and work-life balance for all our employees.

During the Track Record Period, we did not incur significant costs and expenses for our product safety and environmental protection measures. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we were in compliance with the currently applicable PRC laws and regulations with respect to environmental matters in all material respects. We will continuously communicate with the relevant regulatory authorities regarding the evolving ESG-related regulatory requirements to keep abreast of the last developments and ensure our ongoing compliance.

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal Proceedings

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of our business, which primarily include medical disputes brought by patients and/or their families against our medical institutions. Such medical disputes are generally related to complications and physical injuries that the patients claim to have suffered during or after receiving healthcare services at our medical institutions. Generally, such incidents could not have been completely avoided due to the inherent risks involved or unforeseeable conditions that may result in complications, physical injuries or even deaths of the patients. As part of our risk management and internal control procedures, our medical institutions have taken sufficient steps to inform their patients of these inherent risks and obtained their informed consent before performance of the relevant treatments or procedures.

As of the Latest Practicable Date, we had two medical disputes, which were still ongoing. One medical dispute involves a patient who was diagnosed with esophageal cancer with multiple metastases and was admitted to Shanghai Outpatient Center. After radiation therapy and chemotherapy treatment, the patient deceased due to cancer metastasis. The family member of the patient alleged that the fatality was due to the faults of physicians at Shanghai Outpatient Center and filed a lawsuit against Shanghai Outpatient Center at Shanghai City Huangpu District People's Court in May 2020. We then received the amended complaint in January 2022. As of the Latest Practicable Date, the amended complaint was at the preliminary stage of legal proceeding and was not filed by court for trial yet. The other dispute involves a patient who was diagnosed with breast cancer before and was admitted to Guangzhou Hospital for breast re-construction surgery in May 2022. In July 2023, the patient filed a complaint against Guangzhou Hospital at Guangzhou City Huangpu District People's Court, claiming for compensation for medical damages. As of the Latest Practicable Date, the complaint was at the preliminary stage of legal proceeding and was not arranged for trial yet. We will continue to monitor the development of these unresolved medical disputes. Based on the amount claimed by the plaintiffs in the complaints and the latest development of our unresolved medical disputes, our Directors are of the view that our unresolved medical disputes would not have any material adverse effect on our business, results of operations or financial condition.

We believe the above medical dispute reflects the inherent risks related to our business and operations. Our Directors are of the view that such claims would be covered by medical malpractice insurance maintained by Shanghai Outpatient Center and Guangzhou Hospital, respectively. Regardless of the potential outcome of the claims, to prevent future reoccurrences we have reviewed our internal control policies regarding the handling of patient complaints. See "—Risk Management and Internal Control—Patient Complaint and Medical Adverse Event Management."

In addition, we had two ongoing contract litigations as of the Latest Practicable Date. One contract litigation involves Guangzhou Outpatient Center that engaged the contractor in August 2020 for its renovation, yet the contractor failed to complete its renovation work by the due date designated in the contract and left the renovation site in March 2021, leading to our disputes regarding the amount and payment of the renovation expenses. In June 2023, the contractor filed a complaint against Guangzhou Outpatient Center at Guangzhou City Yuexiu District People's Court with an alleged amount of approximately RMB1.7 million. As of the Latest Practicable Date, the case was under trial. We will continue to monitor the development of this litigation. For the other contract litigation, Beijing Yundu engaged a contractor for the equipment supply and software system installment for Guangzhou Hospital in November 2020, which was to be paid by installment upon reaching milestones designated in the contract. However, we and the contractor had disputes on whether the acceptance conditions were satisfied. In October 2023, we received the notice from court that the contractor filed a compliant against us, Beijing Yundu and Guangzhou Hospital as co-defendants at Guangzhou City Huangpu District People's Court with an alleged amount of approximately RMB6.9 million. As of the date of this document, we have entered into settlement agreement with such contractor. Our Directors are of the view that such unresolved dispute would not have any material adverse effect on our business, results of operations or financial condition.

We may continue to face potential legal proceedings and claims in our operations. See "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to inherent risks of medical disputes, medical incidents and legal proceedings arising from our operations, which could result in significant costs and materially and adversely affect our business and reputation." Save as disclosed above, as of the Latest Practicable Date, we are not a party to any other ongoing litigation, arbitration or administrative proceedings arising from medical disputes which may have a material adverse effect on us, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business, financial conditions or results. As of the same date, none of our medical professionals was involved in any disciplinary proceedings or determined to be liable for any medical malpractice incidents in all material respects.

**Compliance**

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, and we did not experience any non-compliance incident of the laws and regulations, which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations or financial condition. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, save as disclosed in this section, we have complied with the relevant currently applicable PRC laws and regulations in all material respects in China.

***Employment Payment Platforms***

*Non-compliance incident*

We established certain limited partnerships (the "Platforms") held by, among others, our management and employees in the ordinary course of our business. The Platforms included the following:

- Shanghai Yujin Market Planning Center (Limited Partnership) (上海愈錦市場營銷策劃中心(有限合夥)) ("Shanghai Yujin"), whose partners included certain employees of our Group who are not our Directors or senior management, and three consultants of our Group, including YIN Yang, XU Ziqiang and DING Guangcheng. Shanghai Yujin was originally established in July 2019 to facilitate the endeavors by the consultant-partners, leveraging their experience and resources, to promote our business. In particular, Shanghai Yujin was engaged for the promotion of our services at the partnered hospitals, such as through organizing industry events and academic marketing campaigns. Pursuant to our service agreements with Shanghai Yujin, Shanghai Yujin would provide us with services including marketing and business development, and other related services as requested by us. Shanghai Yujin was also obliged to furnish with us service updates on a quarterly basis. The service fees would be determined based upon the actual services provided and costs incurred by Shanghai Yujin, which was typically settled on a monthly basis in the subsequent month. The mark-up charged by Shanghai Yujin generally ranged from 15% to 20% of the costs it incurred, which is within the industry range. The service agreements had a term of one year, and would be automatically renewed upon expiration unless otherwise agreed in writing. According to the F&S Report, engagement of service providers through a limited partnership established by the companies themselves is in line with industry practice. For example, certain other companies in the medical service industry have established limited partnerships to provide marketing services to themselves. In such cases, external partners generally have more experience and resources in the medical service industry, which helps companies to carry out marketing activities. The establishment of partnership also facilitates convenient coordination among partners of various backgrounds and helps companies to centrally manage the plans and objectives of market activities. Neither we nor our associates received any forms of benefits from the consultant-partners or their respective associates under such arrangement. The pricing of our transactions with other marketing service providers generally is also based upon the actual services they provided, taking into consideration the costs incurred such as venue rental and decoration cost, marketing material design and production cost, labor cost, and accommodation cost for event participants. Such other marketing service providers generally charge a mark-up ranging from approximately 15% to 25% based on the costs they incurred in rendering the services, which was comparable to that charged by Shanghai Yujin. We generally settle the marketing service fees with such other providers on a monthly basis, similar to that with Shanghai Yujin.

  Shanghai Yujin provided marketing services to us in 2019. Prior to the engagement of Shanghai Yujin in 2019, the results of the promotional and marketing activities for our partnered hospitals were not as expected. In 2019, YIN Yang approached us to provide professional marketing services and promote our business. We, after evaluation of his credentials and past experience, decided to engage YIN Yang and other consultants from his team, including XU Ziqiang and DING Guangcheng, for marketing services. As this would be the first collaboration with the consultant-partners, to ensure their service quality, we established a stand-alone partnership, i.e., Shanghai Yujin, where the consultant-partners and the employee-partners, who were employees responsible for the management of radiation therapy and imaging diagnosis services at partnered hospitals, would jointly act as partners, so that the employee-partners may supervise the quality of the consultant-partners' services. In 2019, we paid marketing service fees of RMB6.6 million to Shanghai Yujin, and did not pay any fees separately to the consultant-partners. Our engagement with Shanghai Yujin for marketing services was subsequently discontinued upon the outbreak of the COVID-19 pandemic during which offline marketing activities were disrupted. Moreover, as the promotional and marketing efforts in relation to our partner hospitals failed to produce anticipated benefits, we did not continue to engage the consultant-partners for marketing services. As such, we only engaged the consultant-partners for the provision of marketing services during the existence of Shanghai Yujin. Currently, we leverage our enriched service offerings, strategic pricing strategy, accumulated technological advantages and synergy with our hospital business to acquire new customers. See "Financial Information—Business Sustainability—Driving Continuous Revenue Growth—Medical Equipment, Software and Related Services";

- Shanghai Dinglin Medical Consulting Center (Limited Partnership) (上海鼎麟醫藥諮詢中心(有限合夥)) ("Shanghai Dinglin"), whose partners included certain employees of our Group who are not our Directors or senior management, and a consultant of our Group, i.e., YIN Yang. Shanghai Dinglin was originally established in September 2019 as a centralized platform to attract, retain and motivate medical professionals;

- Shanghai Tonghou Business Management Center (Limited Partnership) (上海通厚企業管理中心(有限合夥)) ("Shanghai Tonghou"), whose partners included five members of our Director and senior management team (the "Relevant Management"), certain other employees of our Group who are not our Directors and senior management, and a consultant of our Group, i.e., YIN Yang. Shanghai Tonghou was originally established in August 2019 as an employee share incentive platform for our mid-level to senior management team with the consultant-partner acting as the administrator; and

- Shanghai Gonglu Business Management Center (Limited Partnership) (上海公祿企業管理中心(有限合夥)) ("Shanghai Gonglu"), whose partners included certain employees of our Group who are not our Directors or senior management, and a consultant of our Group, i.e., YIN Yang. Shanghai Gonglu was originally established in October 2019 as an employee share incentive platform for our mid-level management team with the consultant-partner acting as the administrator.

The consultant-partners of these Platforms are providers of marketing and consulting services with established experience and resources. For example, since 2017, YIN Yang had acted as the marketing advisor for various medical diagnostics and medical technology companies, and as the financial advisor for a number of investment and financing projects. XU Ziqiang and DING Guangcheng are medical professionals proficient in oncology radiation therapy. Through Shanghai Yujin, the consultant-partners of Shanghai Yujin provided marketing services to us in 2019. In addition, the consultant-partners of the Platforms are also experienced in establishing and managing partnerships. The consultant-partners served as the administrators of the relevant Platforms, responsible for dividend distribution and other general affairs in exchange for the management service fees. The employee-partners of Shanghai Yujin generally were employees responsible for the management of radiation therapy and imaging diagnosis services at partnered hospitals. As Shanghai Yujin primarily engaged in the promotion of our services at the partnered hospitals, such as through organizing industry events and academic marketing campaigns, in such context, the employee-partners may supervise the quality of the consultant-partners' services. For the other Platforms, as they had not carried out their original purposes for establishment, the employee-partners thereof had no responsibilities other than acting as the partners. There were no past or present relationships or arrangements (business, family, employment, trust, financing or otherwise) between each of the consultant-partners and our Group, or any of their respective associates, and there were no side agreements, arrangements, understandings or fund flows between our Group and these consultant-partners (other than those disclosed in the this section) since 2019 and up to the Latest Practicable Date, except that XU Ziqiang is manager of a gamma knife therapy center at our partnered hospital since January 2022.

Our key personnel are generally responsible for work across different business segments and primarily include mid-level to senior management team members, key medical professionals and employees responsible for the management of radiation therapy and imaging diagnosis services at partnered hospitals. Prior to 2020, our key personnel were generally paid employment-related incentive fees, which typically consisted only of year-end bonuses, directly. The year-end bonuses are only paid once a year and generally of fixed amounts, and are paid directly to our key personnel by the human resource department following its established practices with little additional administrative burden. In 2020, along with the development of our business, we adopted a new incentive policy to pay additional performance-based incentive fees to our key personnel apart from the regular year-end bonuses, leading to increased amount of and frequency of paying incentive fees to our key personnel, which could be burdensome for our human resource personnel. Such additional performance-based incentive fees were generally paid on a quarterly or yearly basis, or upon accomplishment of pre-designated performance milestones for personnel responsible for the development and management of our business with partnered hospitals. Specifically, we made over 300 payments of the additional performance-based incentive fees through the Platforms to the key personnel in 2020 in addition to the direct payments of regular year-end bonuses. The additional performance-based incentive fees to our key personnel are evaluated with reference to their respective performance at each business segment, which are then processed at different entities within our Group to which the respective key personnel's work is related. As such, the payment of additional performance-based incentive fees and the related filing of tax returns for the key personnel would also need to be processed at each of the entities such key personnel worked for, which could be burdensome and involve considerable repetitive tasks.

In particular, the evaluation of additional performance-based incentive fees to key personnel under the incentive policy adopted in 2020 entailed complex mechanisms referencing to various performance indicators which also varied across different group entities. For example, the incentive fees of key medical professionals were calculated generally based on indicators such as workload, patients' level of satisfaction, and management and utilization of general medical consumables, while the incentives of employee-partners responsible for the management of radiation therapy and imaging diagnosis services at partnered hospitals would take into consideration the income, budget utilization and other performance indicators of the underlying partnered hospitals. In addition, other key personnel at the functional departments, such as administration and finance, are also subject to respective performance indicators based on their responsibilities when evaluating incentive fees. In cases where the key personnel were responsible for work across different business segments, their incentive fees would be evaluated with reference to their respective performances at each segment to get a weighted sum. Furthermore, the evaluation process would require intense efforts in collecting and verifying performance data from various entities, and sometimes additional efforts in re-calculating when the key personnel had doubts or disagreements. In order to effectively carry out the purpose of the new performance-based incentive policy and motivate our key personnel, we would also need to recognize their achievements and reward with the additional performance-based incentive fees timely within several working days. With the Platforms, the additional performance-based incentive fees to a particular key personnel at all the entities he worked for could be aggregated and paid at once with the assistance of the consultant-partners, and the related calculation and tax return filings can also be handled by the consultant-partners, which could lift the human resource personnel's workload.

In contrast, the related payment of incentive fees and tax return filings for employees who were ordinary personnel responsible for a specific business segment would not involve multiple entities, and the aggregation of their incentive fees at all the entities they work for would not make much difference as to administrative burden. Furthermore, such ordinary personnel may be subject to more frequent turnover compared to the key personnel, making centralized management through the way of partnership impractical.

As such, in 2020, our human resource personnel, based on the advice of the consultant-partners, opted to utilize the then-existing Platforms, which were then idle, to pay performance-based incentive fees (the "Incentive Fees") to our key personnel, i.e., the employee-partners, in order to streamline and centrally manage related workstreams. The withholding and/or payment of the underlying income tax were handled by the consultant-partners at their advice, who had experiences in consulting and managing partnerships, and our human resource personnel relied on the consultant-partners without inquiring into the detailed procedures and treatments due to such personnel's unfamiliarity with different individual income tax treatments and their applicability to our circumstance under the relevant PRC tax laws and regulations. We paid an aggregate Incentive Fees of RMB21.9 million through the Platforms, including RMB1.1 million to the Relevant Management and RMB20.8 million to other employee-partners who are not our Directors or senior management (the "Relevant Employees"), which were recorded as employee benefit expenses in our consolidated financial statements for the year ended December 31, 2020.

Due to the use of an individual income tax rate which is different from the rate that should have been applied for the Incentive Fees, there was a shortfall in the tax amount of RMB7.0 million payable by the Relevant Management and the Relevant Employees, which should have been withheld by our Group. The tax incident was not timely identified as a non-compliance by our Group until 2021 when we conducted an annual review for the past year and engaged an independent tax consultant, which is the tax department of one of the "big four" accounting firms, for a tax compliance review upon identification of the payment of the Incentive Fees through the Platforms. The independent tax consultant has been engaged since December 2017 as our retainer tax advisor to advise on general tax compliance matters for our Group, and was engaged by us for the rectification of the tax incident. As elaborated above and confirmed by our Directors, the tax incident was inadvertent and was not based on any fraud or intentional misconduct on the part of our Directors and the Relevant Management. We had promptly ceased to pay incentive fees or other kinds of remunerations for the year of 2021 and thereafter through the Platforms or through similar arrangements to any of our employees, including our Directors and senior management. In addition, given that the original purposes in establishing the Platforms had not been consummated or had been discontinued, we had deregistered each of them as part of our rectification efforts. We have also adopted various rectification measures as described in greater detail below.

*Potential legal consequences*

We and the Relevant Management and the Relevant Employees had voluntarily taken a series of rectification measures. We had amended and resubmitted to the relevant PRC tax authorities the individual income tax withholding materials. As of the Latest Practicable Date, each of the Relevant Management and the Relevant Employees had fully settled the outstanding tax amount of RMB7.0 million in aggregate. Furthermore, the Relevant Management and the Relevant Employees had settled the outstanding late payment fees in the aggregate amount of approximately RMB4,300, being the entirety of such amounts as confirmed by the relevant PRC tax authorities. As confirmed by the relevant PRC tax authorities, there had been no outstanding tax liability against our Group nor the Relevant Management and the Relevant Employees. The relevant PRC tax authorities had recognized our attitude in voluntarily rectifying the tax incident, and had not further questioned the nature of the tax incident or the amended individual income tax withholding materials. The relevant tax authorities had issued the corresponding tax payment certificates in respect of these matters, and had not imposed any administrative penalty on our Group or the Relevant Management and the Relevant Employees with respect to the tax incident.

Our independent tax consultant believes that, as they had not identified any clear evidence that could give rise to any willful intent on the part of our Group nor any Relevant Management or Relevant Employee to evade the individual income tax, the likelihood that the tax incident will be regarded as a tax evasion under the applicable PRC tax laws and regulations is low. Our independent tax consultant further believes that, given that the tax incident did not result in significant tax loss to the PRC or material adverse social impact, and that our Group and the Relevant Management and the Relevant Employees had voluntarily rectified the incident by withholding and/or paying the outstanding tax amount and the relevant late payment fees, they did not constitute "parties with serious tax-related illegal and dishonest acts" under the Measures for the Disclosure of Information on Parties with Serious Tax-related Illegal and Dishonest Acts (重大稅收違法失信主體信息公佈管理辦法). As such, our independent tax consultant believes that the tax incident did not constitute a material non-compliance incident.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalty or regulatory or administrative investigation in relation to the tax incident, nor had we been notified by any relevant competent government authorities requiring our Group to pay any shortfall in tax or related penalties in relation to the tax incident. According to consultations by our independent tax consultant on various dates from August 2022 to October 2022 with details of the specific tax incident with the competent local PRC tax authorities in charge of the places where our relevant subsidiaries are located, including the First Taxation Office of the Taxation Bureau of Haidian District of Beijing (北京市海澱區稅務局第一稅務所), the First Taxation Office of the Taxation Bureau of Minhang District of Shanghai (上海市閔行區稅務局第一稅務所), the First Taxation Office of the Taxation Bureau of Huangpu District of Guangzhou (廣州市黃埔區稅務局第一稅務所), the First Taxation Office of the Taxation Bureau of Beijing Economic Development Zone (北京市經濟開發區稅務局第一稅務所), the Third Taxation Office of the Taxation Bureau of Futian District of Shenzhen (深圳市福田區稅務局第三稅務所), and the First Taxation Office of the Taxation Bureau of Huangpu District of Shanghai (上海市黃浦區稅務局第一稅務所), in general, in the event that the taxpayer and/or the withholding agent voluntarily rectify the mistaken tax incident by paying and/or withholding the outstanding tax amount and the relevant late payment fees, the relevant authorities will not impose any fine or other administrative penalties. As such, our independent tax consultant believes that the likelihood that the relevant PRC tax authorities will impose any fine or other administrative penalties on the part of our Group or the Relevant Management and the Relevant Employees due to the tax incident is low. CCM Group has further undertaken to indemnify our Group of any loss which our Group may suffer in connection with any penalties imposed by the relevant competent government authorities.

Subsequently, for the purpose of our **[REDACTED]**, Lixin Certified Tax Agents Co., Ltd. was engaged to review the same tax incident and is of the view that (1) the likelihood that the relevant Group entities and individuals will be regarded as with willful intent to evade tax or to be further penalized for tax evasion is low, (2) the tax incident did not constitute a material non-compliance incident, and (3) the likelihood that the relevant PRC tax authorities will impose any fine or other administrative penalties on the part of our Group or the Relevant Management and the Relevant Employees due to the tax incident is low.

Based on the above, our PRC Legal Advisor believes that the relevant PRC tax authorities are competent to provide the subject confirmations in the consultations, and the likelihood that the relevant PRC tax authorities will impose any fine or other administrative penalties on the relevant subsidiaries of our Group or the Relevant Management and the Relevant Employees due to the tax incident is low.

In addition to the above consultations, we further consulted with relevant tax authorities and/or higher authorities on a named basis to seek their specific confirmation on our Group's likelihood to be further imposed any fine or other administrative penalties. We, together with our PRC Legal Advisor, had consulted with the Taxation Bureau of Huangpu District of Guangzhou (廣州市黃埔區稅務局) and the Seventeenth Taxation Office of the Taxation Bureau of Huangpu District of Shanghai (上海市黃浦區稅務局第十七稅務所) with details of the specific tax incident on a named basis on November 2, 2023 and June 26, 2023, respectively, with the Taxation Bureau of Huangpu District of Guangzhou being the higher tax authority of the First Taxation Office of the Taxation Bureau of Huangpu District of Guangzhou, which is the competent tax authority of Guangzhou Hospital (of which we paid Incentive Fees of RMB2.9 million in 2020 through the Platforms to the Relevant Management and the Relevant Employees, and of which there was a shortfall in the tax amount of RMB1.0 million attributable to such Relevant Management and such Relevant Employees in the same year), and the Seventeenth Taxation Office of the Taxation Bureau of Huangpu District of Shanghai being the competent tax authority of Shanghai Outpatient Center (of which we paid Incentive Fees of RMB0.8 million in 2020 through the Platforms to the Relevant Management and the Relevant Employees, and of which there was a shortfall in the tax amount of RMB0.2 million attributable to such Relevant Management and such Relevant Employees), which is the tax source office responsible for the tax source management and service and tax-related issues of enterprises (while the First Taxation Office of the Taxation Bureau of Huangpu District of Shanghai is the tax service center with which enterprises handle the amendment of tax declarations, payment of outstanding tax amounts and other matters). Such tax authorities had confirmed that, (1) they were competent to provide the subject confirmations; and (2) since Guangzhou Hospital and Shanghai Outpatient Center and the Relevant Management and the Relevant Employees thereof had voluntarily rectified the tax incident by paying and/or withholding the outstanding tax amount and the relevant late payment fees, such tax authorities would not impose any fine or other administrative penalties on these two subsidiaries of our Group or the Relevant Management and the Relevant Employees thereof due to the tax incident. In the consultation, the Taxation Bureau of Huangpu District of Guangzhou also confirmed that the higher tax authorities would not challenge the foregoing confirmation. As advised by our PRC Legal Advisor, based on the above and considering (i) the Taxation Bureau of Huangpu District of Guangzhou was the higher tax authority of the local tax authority governing Guangzhou Hospital; (ii) the Seventeenth Taxation Office of the Taxation Bureau of Huangpu District of Shanghai was the tax source office responsible for the tax source management and service and tax-related issues of Shanghai Outpatient Center; and (iii) the officers consulted were from the department responsible for providing such confirmations of the above tax authorities, respectively, our PRC Legal Advisor is of the view that such tax authorities were competent authorities and the officers consulted were competent to represent these tax authorities to provide the subject confirmations. Having considered the foregoing and based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to cast doubt on the PRC Legal Advisor's view above.

*Rectifications*

We had promptly ceased to pay incentive fees or other kinds of remunerations for the year of 2021 and thereafter through the Platforms or through similar arrangements to any of our employees, including our Directors and senior management. In addition, given that the original purposes in establishing the Platforms had not been consummated or had been discontinued, we had deregistered each of them as part of our rectification efforts. In addition, upon first being aware of the tax incident, we informed and prompted the Relevant Management and the Relevant Employees to rectify the situation as soon as practical. As discussed above, our Group and the Relevant Management and the Relevant Employees had voluntarily rectified the tax incident by paying and/or withholding the outstanding tax amount and the relevant late payment fees in full.

We have implemented comprehensive internal policies and procedures with respect to human resources and compensation process in order to effectively identify and deter similar incidents. Our internal control consultant has performed internal control review on our Group for the review period between January 1, 2021 and December 31, 2021, which covered, among others, the human resources and compensation process, including policies and procedures, management compensation decision and approval process, salary calculation and approval process, calculation and approval of employee bonus, payroll payment process, and the internal control measures in relation to tax arrangement, including tax related policies, planning, calculation, filings, review and approval procedures, and segregation of duties. Based on the work performed and samples tested by the internal control consultant, no issue in relation to the employment payment platforms or related tax control measures has been identified.

We have also put in place enhanced corporate governance measures as recommended by our independent internal control consultant to ensure that we will comply with relevant tax laws and regulations in the context of employment remunerations, including, among others:

- prohibit the use of employment payment platforms or partnerships of other kinds in paying remunerations, including salaries and incentive fees, by providing clear guidance and trainings to our human resource personnel as well as our senior management team;

- require all employees to report similar incidents if any to our designated compensation team consisting of our chairman of the Board, our president and our human resource director, and/or our financial director upon identification, which shall be further submitted to the Remuneration and Appraisal Committee of our Board chaired by an independent non-executive Director for proper measures;

- document all payments to employees, including the payment methods, which shall be subject to the review and supervision by our designated compensation team and our financial director;

- require the general manager of our human resource department to take charge of the tax calculations for all of our employees as well as the applicable tax categories and rates, which shall be subject to review and further confirmation by our designated compensation team and our financial director;

- establish and implement comprehensive internal protocols on human resources, compensation and taxation, and seek advice from professional tax or legal advisors when necessary.

Our internal control consultant performed internal control review on such further enhanced internal control measures for preventing and detecting the re-occurrence of similar incidents related to employment payment platforms and related tax control measures. Based on the work performed, our internal control consultant concluded that, as of August 5, 2022, our enhanced internal control measures were appropriate and effective, in all material respects, to prevent and detect the re-occurrence of utilizing the employment payment platforms for distributing remuneration to Directors and employees, including salary and incentive fee, and that the related tax control measures are also appropriate and effective.

Having considered the foregoing, our Directors are of the view that (1) the tax non-compliance incident did not involved any willful intent to evade tax, and (2) our Directors have the integrity and competence to manage our business in a law-abiding manner, and such tax incident would not affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules. Having considered the foregoing and based on the due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above.

***Social Insurance and Housing Provident Fund Contributions***

*Background and reasons of non-compliance incidents*

Pursuant to the relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurances and housing provident fund contributions for their employees by themselves. During the Track Record Period, we did not make adequate social insurance and housing provident fund contributions for certain employees or make timely registration with the relevant social insurance or housing provident fund authorities. Our non-compliance was primarily due to the oversight and lack of comprehensive understanding by the responsible staff of the relevant local regulations.

*Potential legal consequences*

Pursuant to relevant PRC laws and regulations, if any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance. We estimate that the relevant maximum penalty we may be subject to is approximately RMB21.6 million if we are fined three times of the total outstanding balance as of June 30, 2023. In addition, if any of the relevant housing provident fund authorities is of the view that our contributions to the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, we may be subject to an order from the relevant PRC courts for compulsory enforcement. See "Risk Factors—Risks Relating to Our Business and Industry—We face certain legal and regulatory risks relating to laws and regulations on social insurance and housing provident fund."

*Rectification*

We estimate that the accumulated shortfall of social insurance and housing provident fund contributions as of December 31, 2020, 2021, 2022 and June 30, 2023 was approximately RMB1.7 million, RMB3.7 million, RMB4.7 million and RMB5.0 million, respectively, which we believe would not have a material adverse effect on our business. As a result, we did not make any provisions in connection with the foregoing incident during the Track Record Period. Our Directors believe that the above-described incident would not have a material adverse effect on our business, results of operations and financial condition, and our PRC Legal Advisor is of the view that the likelihood that the relevant competent government authorities would impose fines on us due to our failure to make full payment of the social insurance and housing provident funds during the Track Record Period is low, as long as we make the outstanding contributions and late fees, if any, within a prescribed time period upon request from the competent government authorities, considering that (1) we have obtained confirmations from the relevant competent government authorities, confirming that no administrative penalty was imposed on us in relation to our social insurance and housing provident fund contributions during the Track Record Period; (2) during the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalty in relation to social insurance and housing provident fund contributions, and we had not received any notice from relevant competent government authorities regarding any claim for inadequate contributions of our current and former employees, nor any notifications from the relevant competent government authorities requiring us to pay the shortfalls; (3) we were not aware of any material employee complaints or claims with respect to inadequate social insurance and/or housing provident fund contributions; (4) we have been communicating with the competent government authorities and undertake that, in the event that competent government authorities require us to make contributions within a stipulated time period or make supplementary contributions and late fees, we will duly comply in a timely manner; and (5) as of the Latest Practicable Date, we have made full payment of the social insurance and housing provident fund contributions for all of our employees.

We have implemented comprehensive internal policies and procedures with respect to social insurance and housing provident fund contributions in order to effectively identify and deter similar incidents. Our internal control consultant has performed internal control review on our Group for the review period between January 1, 2021 and December 31, 2021, which covered, among others, the internal policies and procedures with respect to social insurance and housing provident fund contributions. Our internal control consultant provided recommendations in February 2022 regarding our relevant policies and procedures. We have implemented rectification and improvement measures since April 2022, and no material deficiency was identified by our internal control consultant in its follow-up procedures on our remedial actions in May 2022. As of the Latest Practicable Date, we have made full payment of the social insurances and housing provident fund contributions for all of our employees.

## RISK MANAGEMENT AND INTERNAL CONTROL

Our internal control and risk management measures are designed to meet our specific business needs and to minimize our risk exposure. We have adopted different internal guidelines, policies and procedures to monitor and reduce the impact of risks which are relevant to our business, improve our corporate governance and ensure compliance with the applicable laws and regulations. Our Board is responsible for establishing our internal control and risk management measures and reviewing their effectiveness. We [have] established an audit committee to review and supervise the financial reporting process and internal control system of our Group. See "Directors, Supervisors and Senior Management—Board Committees—Audit Committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee. We [have] adopted written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

In preparation for the **[REDACTED]**, we have engaged an independent internal control consultant to perform a review of our internal controls in certain aspects, including corporate governance, financial reporting, sales and receivables, procurement and payables, human resource and compensation, fixed and intangible assets management, cash and investment, information system, tax, insurance, research and development, hospital operation process, related party transactions and legal management. Our internal control consultant, based on their work performed, did not identify any material internal control weaknesses in reviewing our internal control system. Our internal control consultant provided recommendations in February and May 2022, respectively, for our Company and subsidiaries based on such review. We have implemented rectification and improvement measures, as the case may be, in response to these findings and recommendations. The internal control consultant performed follow-up procedures on our remedial actions from March 2022 to May 2022 and did not identify any material deficiency in our internal control system. After considering the remedial actions that we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

In addition, we have adopted and implemented a series of new internal control policies as well as measures and procedures designed to provide further assurance on effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Going forward, we will continue to regularly review and improve these internal control policies, measures and procedures.

**Clinical Quality Control**

We are subject to numerous rules and regulations that regulate the qualifications and conduct of medical professionals and standards for healthcare services in China. To ensure the safety and quality of services provided by our hospitals, we have established a comprehensive quality control system, comprising primarily:

- the adoption of standardized clinical practice guidelines, which complies with the 18 core procedures promulgated by the NHC to ensure healthcare service quality, including proper procedures for initial diagnosis, ward inspection, consultation, discussions of fatality cases, medical records keeping, pre-operation discussions, care of critically ill patients and shift relief system;

- the establishment of the quality control committee at our headquarters;

- the implementation of standardized protocols for handling patient complaints and medical adverse events; and

- the implementation of centralized procurement at the headquarters level to better control the quality of the pharmaceuticals and medical consumables we procure.

During the Track Record Period and up to the Latest Practicable Date, our medical institutions had not been notified of any material non-compliance of rules and regulations on clinical quality control that would adversely affect our business, results of operations or financial condition.

**Patient Complaint and Medical Adverse Event Management**

Our medical institutions occasionally receive complaints from their patients and have implemented internal guidelines to ensure each patient complaint is properly dealt with. Generally, the administration department of each hospital and medical center works with the responsible clinical department to collect facts and respond to the complaints and seek to resolve patient complaints reasonably and amicably as soon as possible. Each medical institution maintains detailed records of the complaints and reports all complaints to quality control committee at our headquarters on a quarterly basis.

In addition, each of our medical institutions have adopted a multi-tier reporting system, including detailed reporting procedures for medical adverse events, which involve deficiencies in our service quality and may result in adverse effects on, and medical disputes with, the patients. Under the reporting system, a medical adverse event that involves physical injuries or death that the patient suffered during or after receiving healthcare services shall be reported to the administration department or other functional departments, as appropriate, of the relevant hospital within 24 hours, which would immediately report to the chief medical administrator, take immediate actions to investigate the incidents and work with the responsible clinical department to prevent and minimize adverse effects on the patient. Employees in violation of our reporting procedures are subject to punishment. To prevent recurring events of a similar nature, we hold internal discussions on a regular basis to review major medical adverse events and implement appropriate measures for rectification. The quality control committee at our headquarters receives monthly updates medical adverse effects from our hospitals.

**Patient and Staff Safety**

The safety of our patients and staff is of utmost importance to our operations. We have outsourced security teams responsible for the personal safety of our patients and staff while they are in our offline hospitals and outpatient centers. We also have designated personnel responsible for responding to emergency such as power outage or water leakage at our medical institutions. Each of our medical institutions, except for Datong Hospital and Datong Clinic, has backup power generators in case of emergency power failure to ensure the proper functions of our operations, in particular those that require life-supporting systems, such as operating rooms. In addition, we have adopted a set of stringent security protocols and fire and explosive protection procedures in case of emergency. In addition, we have installed electronic security and surveillance systems at our medical institutions to monitor the premises and record emergency events and incidents, which may provide crucial evidence in case of disputes or investigations. We have designated personnel responsible for controlling the surveillance systems installed at our medical institutions.

We conduct regular sanitization to contain the potential spread of infectious diseases at our medical institutions. We closely monitor the prevalence of nosocomial infections at our medical institutions and ensure that they are maintained at very low levels in compliance with NHC standards.

We also provide occupational safety education and trainings to our employees to enhance their awareness of work safety. We provide our employees with health assessment to monitor their overall health. In particular, we adopt stringent assessment protocols for our employees that are regularly exposed to high-risk environments such as radiation and clinical wastes to ensure their exposure is within acceptable safety limits.

We believe we are in compliance with applicable health and safety laws and regulations in all material respects, and our employees have not experienced any material health or safety accidents in the course of our operations. Save as disclosed in "—Legal Proceedings and Compliance—Legal Proceedings," we have not been subject to material claims for personal or property damages or for health or safety related compensation during the Track Record Period and up to the Latest Practicable Date.

**Patient Information Security**

Our comprehensive defense system safeguards our operations and ensures information security as well as data privacy and security. Our patient information security management mainly ensures the safe storage and usage of patient information, including personal information and medical records. Our self-owned medical institutions use information technology systems to manage their patient's personal information and medical records. We maintain comprehensive data privacy and security internal control policies and procedures specifically for our hospital business operations, including Measures for the Management of Information Security of Medical Institutions, Measures for the Management of Data Security, and Measures for Network Management, which stipulate the details of data classification, data access control, data retention, data privacy and data security measures. We have also established related data privacy and security internal control policies and procedures to ensure our compliance with the relevant laws and regulations on data protection and privacy, namely, Management Policies of Medical Records in Medical Institutions (2013 Edition) and Measures for the Management of Network Security in Medical Institutions, and to ensure the data that we have accumulated in our hospital business will not be misappropriated or misused. For instance, we specify medical record retention periods for both outpatients and inpatients in our policies which are strictly followed by our medical institutions. To ensure confidentiality, we store and transmit sensitive information in an encrypted manner. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data processing. Under such mechanisms and procedures, any operation violating information security regulations will result in internal disciplinary action. In general, the information that our staff have access to is limited to the scope necessary for performing their work responsibilities. In specific, our employees are required to submit an application for data system access through our office automation system, which is then reviewed by the respective department head and our IT department head who will assess the reasonableness of the application and may seek clarification or additional information if necessary. Although our outsourced staff do not directly apply for accounts in our office automation system, their employing department will submit the applications on their behalf, following a similar process as described above. Our staff are expected to undertake training on patient information security, which we organize regularly. Furthermore, we require all of our employees to acknowledge the Code of Business Conduct and Ethics and sign off on the Certificate of Compliance to ensure they are aware of their obligations to comply with all confidentiality policies and fulfill confidentiality duties and responsibilities. In specific, our employees are required to follow such policies relating to prohibition from disclosing our business secrets or other confidential commercial information without prior approval, use of confidential information outside the scope of their duties, as well as disclosure of information related to our business, customers or employees outside the work environment beyond their end of employment relationship or until such information is disclosed by us or become publicly available through means other than the employee's breach of duty. We strictly comply with laws and regulations and do not distribute or sell our patients' personal data for any purpose except when we have obtained such patients' consents or we are required by any relevant authority in accordance with applicable laws and regulations. We maintain and enforce the policies as mentioned above to ensure our compliance with the relevant laws and regulations on data protection and privacy. We also have assigned our IT department head to keep track of all the latest laws and regulations on data protection and privacy, and update the policy and procedures as needed to ensure our compliance with the latest legal and regulation on data protection and privacy.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any breach of patient confidential information or any other patient information related incidents which could cause a material adverse effect on our business, results of operations or financial condition.

**Anti-Corruption Risk Management**

The PRC government has enhanced its anti-bribery efforts to prevent improper payments and other benefits received by physicians, staff and hospital administrators in connection with the procurement of pharmaceuticals, medical consumables and medical equipment and the provision of healthcare services. We have implemented the following policies and procedures to address potential bribery and corruption incidents:

- The internal control department at our headquarters is responsible for design and implementation of our anti-bribery and corruption policies and procedures. Related policies are set forth in our employee handbook and code of conduct. We provide anti-bribery and corruption trainings to our senior management and employees.

- We have adopted policies on anti-corruption and anti-bribery, including the Rules for the Management of Anti-corruption and the Rules for the Management of Anti-corruption and Anti-bribery, for our business, which, among other things, prohibits corruption and bribery acts of our employees to ensure its compliance with the applicable PRC laws and regulations. These policies aim to uphold our professional ethics and integrity to ensure that we are operating in an honest and diligent environment, acting in our shareholders' best interest, and that our employees conduct activities in an appropriate manner that complies with the applicable laws and regulations.

- Our policies on anti-corruption and anti-bribery include the features of: (1) maintaining top level commitment to adopt ethical and anti-corruption business practices; (2) scope of the policy; (3) policy statements against corruption in doing business; (4) key integrity and conduct requirements for our Company's personnel; (5) activities that are considered as misconduct; (6) whistle-blowing policy for violation of the policy on anti-corruption and bribery; and (7) brief description of our Company's policy on anti-corruption and bribery. In preparing our policies, we strive to ensure that such policies strictly follow the suggestions and recommendations set out in the Anti-Corruption Program – A Guide for Listed Companies issued by the Corruption Prevention Department of the Independent Commission Against Corruption of Hong Kong.

- Our whistle-blowing policy encourages employees to report immediately when they recognize employees within our Company engaging in suspicious activities in connection with corruption or bribery practices. If preferred, our whistle-blowing policy allows our employees to report corruption or bribery acts on an anonymous basis to our dedicated hotline and email address.

- We currently require all of our new employees to sign an anti-corruption confirmation to prevent corruption and fraudulent practices. Our existing employees are required to attend regular trainings and comply with our employee handbook in connection with the compliance with applicable laws and regulations. The confirmation ensures our employee's compliance with the applicable anti-corruption laws, including financial impropriety, improper conduct or unethical behavior, and fraudulent activities.

- Each of our Directors is aware of the fiduciary duties of a director which require, among other things, that he/she must act for the benefit and in the best interest of our Company and must not allow any conflict between his/her duties as a director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) will be abstained from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum.

- We have a zero-tolerance policy towards acceptance of any bribes by our physicians and other medical professionals. We have established a whistle blower program, including a dedicated hotline and an email address, to receive reports of corruption charges, with the option of anonymity. Any employee found in breach of our anti-bribery and corruption policies and procedures will be dismissed.

- With respect to procurement, we have centralized the procurement of medical supplies at the headquarters level thereby minimizing the risk of corruption or abuse. In addition, we include anti-bribery and corruption provisions in the agreements with our suppliers and any breach of such provisions may result in penalties or disqualification. See "—Our Suppliers, Procurement and Inventory" for more details.

**Enhanced Internal Control Measures**

In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented measures with a view to establishing and maintaining our internal control system, including monitoring of operational processes, the establishment of risk management policies and compliance with applicable laws and regulations, particularly include the followings.

- We have designated responsible personnel in our Company to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

- We have instituted procedures for lines of communication and provided a process by which our employees can identify and report potential non-compliance exposures.

- We have appointed Haitong International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines. See "Directors, Supervisors and Senior Management—Compliance Advisor."

- We [have] established an audit committee which comprises three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters. See "Directors, Supervisors and Senior Management—Board Committees—Audit Committee."

## OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**), Shanghai Medstar, Tianjin Concord, Beijing Concord and Shanghai Xinhe will collectively hold **[REDACTED]**% of the issued share capital of our Company. Shanghai Medstar is owned as to 98.19% by Ascendium Group Limited, a wholly-owned subsidiary of Concord Medical, and as to 1.81% by Shanghai Huifu Technology Development Co., Ltd., which is in turn owned as to approximately 99% by Dr. Yang. Tianjin Concord is wholly owned by Shanghai Medstar. Beijing Concord is directly wholly owned by Concord Hospital Management Group Limited, which is in turn directly wholly owned by Ascendium Group Limited. Dr. Yang, through his controlled entity, Morgancreek Investment Holdings Limited, is entitled to exercise approximately 73.2% of the voting rights at general meetings of Concord Medical. The general partner of Shanghai Xinhe is Shanghai Xinfu Enterprise Management Center (Limited Partnership), the general partner of which is Shanghai Huifu Technology Development Co., Ltd. Additionally, pursuant to the voting proxy arrangement, Shanghai Medstar is able to control an additional **[REDACTED]**% of the voting power at general meetings of our Company (excluding the voting proxy arrangement with Shanghai Xinhe) immediately after the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**). See "History, Development and Corporate Structure—Voting Proxy Arrangement" for details. Accordingly, the CCM Shareholder Group, namely Dr. Yang and the entities controlled by him directly or indirectly for holding interests in the Company, including Morgancreek Investment Holdings Limited, Concord Medical, Ascendium Group Limited, Shanghai Huifu Technology Development Co., Ltd., Concord Hospital Management Group Limited, Shanghai Medstar, Tianjin Concord, Beijing Concord and Shanghai Xinhe will collectively control [**REDACTED**]% of the voting power at general meetings of our Company immediately after the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**) and will be our Controlling Shareholders under the Listing Rules.

Concord Medical has been listed on the New York Stock Exchange (symbol: CCM) since 2009. As of December 1, 2023, the closing price of Concord Medical was US$1.09 per American depositary share, and the market capitalization as reported by Yahoo Finance was approximately US$47.3 million. See "Risk Factors—Risks Relating to the **[REDACTED]**—The differences in the characteristics of the capital markets in Hong Kong and the United States and the **[REDACTED]** bases in **[REDACTED]** and Concord Medical's American depositary shares may have a disparate effect on our and Concord Medical's **[REDACTED]**." Upon **[REDACTED]**, Concord Medical and our Company will continue to have separate businesses and teams. Other than the business carried on by our Company, Concord Medical primarily engaged in finance lease, import and export services, and financial investment businesses. See "History, Development and Corporate Structure—Overview" for the benefits of the separate **[REDACTED]** of our Group.

## BUSINESS DELINEATION AND COMPETITION

### Overview

We primarily engaged in operation of medical institutions and provision of oncology-related services, including primarily sales and installing of medical equipment and software, management and technical support, and operating lease (collectively, the "Core Business"). The following table sets forth the principal business operations of our Group and the CCM Group as of the Latest Practicable Date.

| Name of entity | Principal business operations |
|---|---|
| **Our Group** | (1) Hospital business:<br>Full spectrum of oncology healthcare services, which are strategically located in Guangzhou, Shanghai and Datong, serving the broad patient bases in the Greater Bay Area, the Yangtze River Delta and the North China regions;<br>(2) Medical Equipment, Software and Related Services:<br>(i) Sales and Installing of Medical Equipment and Software: (a) provide enterprise customers with various medical equipment; (b) offer customized software services through our portfolio of cloud platforms including primarily digitalized processing of diagnostic pathology and diagnostic imaging results, such as remote consultation, radiation |

| Name of entity | Principal business operations |
|---|---|
| | modeling, therapy customization and quality control; supply-chain management; and joint research, training and technological support, assisting hospitals in providing a full spectrum of cancer diagnosis and treatment services to their patients;<br><br>(ii) Management and Technical Support Services: provide management and technical support services to enterprise customers either under full-spectrum solution services arrangements or under the service-only agreements with a shorter term;<br><br>(iii) Operating Lease: provide the medical equipment used in partnered hospitals according to their needs and requirements, and then lease such medical equipment to partnered hospitals for a fixed period and provide comprehensive support services. |
| **CCM Group** (1) (2) | (1) Finance Lease: purchase the medical equipment used in cooperative centers according to partnered hospitals' needs and requirements, lease such medical equipment to hospitals for a fixed period, and then either transfer the leased medical equipment to the lessee by the end of the lease term or grant the lessee an option to purchase the leased medical equipment that the lessee is reasonably certain to exercise;<br><br>(2) Import and Export Service: import and export business of Class II and Class III medical device, and resale of such medical device;<br><br>(3) Financial Investment: investment in upstream and downstream enterprises in the broader healthcare industry. |

(1) A hospital in Wuxi, Jiangsu Province with a land area of approximately 8,743 sq.m. and planned GFA of approximately 10,056 sq.m. ("Wuxi Hospital") held by Wuxi Concord Medical Hospital Co., Ltd. (無錫美中嘉和腫瘤醫院有限公司) ("Wuxi MJ") is currently under construction, which is owned as to approximately 97.32% by Wuxi Concord Medical Development Co., Ltd. (無錫泰和誠醫學發展有限公司) ("Wuxi Concord"), a wholly-owned subsidiary of Concord Medical, and as to approximately 2.68% by our Company. The construction of Wuxi Hospital is expected to be completed in or around 2024. As CCM Group has been primarily responsible for the construction, the Directors are of the view that a transfer of the equity interests in Wuxi Hospital by Wuxi Concord and Wuxi MJ before the Wuxi Hospital is completed may not be in the best interest to the Shareholders. Accordingly, taking into account that both our currently self-owned hospitals and Wuxi Hospital operate or will operate in the oncology healthcare service in the PRC, our Company has entered into a call option agreement with certain entities in CCM Group, pursuant to which such entities has granted a call option to our Group to purchase all or part of the equity interest held by CCM Group in Wuxi Concord and Wuxi MJ at our sole and absolute discretion. Pursuant to the Call Option Agreement, in the event that we decline to exercise the Call Option, CCM Group shall dispose of such equity interest held by CCM Group in Wuxi Concord and Wuxi MJ to independent third parties, on terms and conditions not more favorable than those provided to us. Please refer to the section headed " — Call Option Agreement" below for details of the terms and conditions of the Call Option Agreement (as defined below).

(2) Beijing Proton Medical Center Co., Ltd. (北京質子醫療中心有限公司), a subsidiary of Concord Medical, has not commenced operation as of the date of this document. Pursuant to the Law of the PRC on the Promotion of Basic Medical and Health Care (中華人民共和國基本醫療衛生與健康促進法), which was promulgated by the SCNPC on December 28, 2019 and came into effect on June 1, 2020, government-run medical and healthcare institutions shall not jointly establish for-profit medical and healthcare institutions in collaboration with social capitals. As one of its shareholders is a government-run medical and healthcare institution, Beijing Proton Medical Center Co., Ltd. needs to be registered as a non-profit medical institution before its commencement of business, and its owners are not entitled under PRC laws, rules and regulations, to the right of dividends or the profits, cash flow or residue assets upon liquidation. Our Directors consider that, under such circumstances, as we are not able to share the profits of, or receive dividends from, a non-profit medical institution, the injection of such medical institution into our Group is not commensurate with the for-profit nature of our Company to maximize shareholder value; and as Concord Medical will not receive any economic interests through dividends or distributions from Beijing Proton Medical Center Co., Ltd., there is no economic incentive for CCM Group to compete with our Group. As a result, we decided not to include Beijing Proton Medical Center Co., Ltd. in our Group. As of the date of this document, CCM Group has determined to terminate its cooperation relationship with other shareholder of Beijing Proton Medical Center Co., Ltd. with respect to the operation of Beijing Proton Medical Center Co., Ltd. due to commercial reasons and either CCM Group or the other shareholder will cease to be a shareholder of Beijing Proton Medical Center Co., Ltd., and it is expected that such termination can be completed by December 2023.

CCM Group provides finance lease service to hospitals and clinic centers, while our Group provides operating lease service to our partnered hospitals. Accordingly, CCM Group and our Group may potentially compete for customers in healthcare industry. However, we believe that the potential competition does not materially and adversely affect our business due to the following reasons: (1) although both operating leases and finance leases allow a company to rent and use an asset, finance lease business is different in nature from operating lease business, as under a finance lease, the lessor transfers ownership and the risk of the asset, whereas under an operating lease, the lessor does not transfer the ownership rights for accounting purposes nor the associated risks of ownership. These two different arrangements is aimed to serve medical institutions with different capital or financing structure, (2) the operating lease business is our ancillary business, as revenue from our operating lease business for the year ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 was approximately RMB19.5 million, RMB27.2 million, RMB21.5 million and RMB9.6 million, representing approximately 11.7%, 5.8%, 4.6% and 3.4% of our total revenue, respectively, and it is expected that revenue generated from our operating lease business and its proportion to our total revenue will decline in the future, (3) the scale of finance lease business operated by CCM Group is relatively small, with the revenue in the amount of approximately RMB1.4 million, RMB0.41 million and nil for the year ended December 31, 2021 and 2022 and the six months ended June 30, 2023, respectively, (4) among the nine customers for the operating lease business of the Group as of the Latest Practicable Date, there is no overlapping customer with that for the finance lease business of CCM Group, (5) there is no overlap on the type of underlying medical equipment between the operating lease business of the Group and the finance lease business of CCM Group as of the Latest Practicable Date, (6) the finance lease business and operating lease business currently are, and will be, operated separately by CCM Group and our Group, respectively, with different teams, (7) Dr. Yang, as the controlling shareholder of Concord Medical, which is also a public company, has no incentive to lean in favor of CCM Group and as directors of both Concord Medical and our Company, he is subject to fiduciary duties under applicable laws, and (8) we have adopted and will adopt appropriate enhanced measures to manage the conflict of interests between our Controlling Shareholders, our Directors and our Group and Shareholders as a whole. See "—Corporate Governance Measures" for details.

As of the Latest Practicable Date, CCM Group also held 20% of the equity interests in Zhejiang Marine Leasing Co., Ltd. (浙江海洋租賃股份有限公司), through China Medical Services Holdings Limited (泰和誠醫療集團有限公司), a wholly-owned subsidiary of Concord Medical. Zhejiang Marine Leasing Co., Ltd. is primarily engaged in finance lease services, including but not limited to finance lease solutions to hospitals. CCM Group is only a passive minority interests financial investor in Zhejiang Marine Leasing Co., Ltd., and has not participated in the management of the company.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has undertaken to provide a Non-Competition Undertaking in favor of us to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our Core Business, see "—Non-Competition Undertaking" below for details. We have adopted and will adopt appropriate enhanced measures to manage the conflict of interests between our Controlling Shareholders, our Directors and our Group and Shareholders as a whole. See "—Corporate Governance Measures" for details.

**Delineation of Business**

We believe there is clear delineation between our business and the business of CCM Group based on the following reasons:

(1) the import and export service and financial investment business of CCM Group are not related to the business of our Group as we are not engaged in the operation of such businesses;

(2) despite CCM Group operates and provides finance lease service to hospitals and clinic centers, the potential competition with our operating lease business does not materially and adversely affect our business as demonstrated above;

(3) with respect to Wuxi Hospital, CCM Group shall dispose of the equity interest held by CCM Group in Wuxi Concord and Wuxi MJ to us when we exercise the Call Option at our sole and absolute discretion, or to independent third parties if we decline to exercise the Call Option; and CCM Group has no intention to operate the business of Wuxi Hospital. See "— Call Option Agreement" for details;

(4) with respect to Beijing Proton Medical Center Co., Ltd., there is no economic incentive for CCM Group to compete with our Group as demonstrated above; and as of the date of this document, CCM Group has determined to terminate its cooperation relationship with other shareholders of Beijing Proton Medical Center Co., Ltd. with respect to the operation of Beijing Proton Medical Center Co., Ltd. due to commercial reasons; and

(5) our Controlling Shareholders have undertaken not to compete with our Group. See "— Non-Competition Undertaking" for details.

Our Controlling Shareholders confirm that as of the Latest Practicable Date, save as disclosed above, neither of them nor their respective close associates have any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

## INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

### Management Independence

Our business is managed and conducted by our Board, supervisors and senior management. Upon completion of the **[REDACTED]**, our Board consists of four executive Directors, two non-executive Directors and three independent non-executive Directors. See "Directors, Supervisors and Senior Management" for details.

The table below sets forth the overlapping directors, supervisors and senior management members between our Group on the one hand, and CCM Group on the other hand:

| Name | Position in our Company | Main positions in CCM Group |
|---|---|---|
| Dr. Yang | chairman of the Board and executive Director | Chairman of the board and chief executive officer of Concord Medical; and director of certain subsidiaries of Concord Medical |
| Mr. YU Yue | Supervisor | Director of Concord Medical |

Dr. Yang is our chairman of the Board, an executive Director and Controlling Shareholder, and has been in charge of the overall strategy planning and business development of the Group since its inception. He has served as a director and the chief executive officer of Concord Medical since 2008, and then as the chairman of Concord Medical since 2011, and also served as a director of certain subsidiaries of Concord Medical. He will continue to serve in such positions immediately following the **[REDACTED]**. Dr. Yang is expected to, while continuing to be supported by the respective experienced management teams in our Group and the CCM Group as he has been historically, devote majority of his time to the day-to-day operations of our Group upon **[REDACTED]**.

Mr. YU Yue is our Supervisor, who does not hold any management positions in our Group and is not involved in the daily management of our businesses. In addition, Mr. Yu current serves, and is expected to continue to serve, as a non-executive role in CCM Group, and is not involved in the daily business operation of CCM Group.

Save as disclosed above, none of the remaining members of our Board, including our executive Directors, Supervisors, and senior management holds any position in our Controlling Shareholders or their close associates. Despite the aforesaid overlapping personnel, our Directors consider that our Board, Supervisors and senior management will function independently of our Controlling Shareholders for the following reasons:

(1) each Director is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;

(2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders or their respective associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In particular, if any potential conflict of interests arises due to Dr. Yang's position with CCM Group, including in relation to any connected transactions with CCM Group, he will refrain from voting on or approving such matter in his capacity as a director of the Company at the relevant board meeting or resolution (as the case may be) unless the Board has duly considered the potential conflict and determined that it would not be a breach of his duty to avoid conflicts of interest to do so;

(3) we will have three independent non-executive Directors, representing no less than one-third of the members of our Board, who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review;

(4) according to the Articles, resolutions by the Board shall be passed by the affirmative vote of more than one half or at least two-thirds of all of the Directors for adoption. As noted above, the majority of our Board is represented by Directors who do not represent or have any role with our Controlling Shareholders or any of its associates, and therefore we are of the view that our Board is capable of making corporate decisions independently from our Controlling Shareholders;

(5) our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders; and

(6) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "—Corporate Governance Measures" for details.

**Operational Independence**

Save as disclosed in "Connected Transactions—Continuing Connected Transactions—Fully-exempt Continuing Connected Transactions—Trademark Licensing," our Group holds or enjoys the benefit of all relevant licenses necessary to carry on our business. We have sufficient capital, equipment and employees, and are able to have access to customers and suppliers to operate our business independently from our Controlling Shareholders, notwithstanding the Consulting Agreement disclosed in "Connected Transactions—Continuing Connected Transactions—Partially-exempt Continuing Connected Transactions." In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

**Financial Independence**

During the Track Record Period, Dr. Yang and/or his spouse, provided guarantees over certain loans and finance leases for the benefit of our Group which applied in our ordinary course of business. As of the Latest Practicable Date, we had an aggregate of approximately RMB32.9 million outstanding loans (including accrued interest) guaranteed by Dr. Yang and/or his spouse.

In addition, two subsidiaries of Concord Medical, namely CCM (Hong Kong) Medical Investment Limited and Global Medical Imaging (Hong Kong) Limited, provided share pledges over certain loans (the "Shanghai Bank Loans") of Shanghai Hospital and Shanghai Imaging Center, respectively, in their capacity as a shareholder holding 0.5% and 0.86% of equity interests in Shanghai Hospital and Shanghai Imaging Center, respectively. The other shareholders (being our Company and our subsidiaries) of Shanghai Hospital and Shanghai Imaging Center also provided share pledges over the Shanghai Bank Loans according to their respective shareholding in Shanghai Hospital and Shanghai Imaging Center, respectively. As of the Latest Practicable Date, the aggregate outstanding amount of Shanghai Bank Loans were approximately RMB1.1 billion. We have obtained written confirmations from the bank in connection with the Shanghai Bank Loans that the share pledges provided by CCM (Hong Kong) Medical Investment Limited and Global Medical Imaging (Hong Kong) Limited were only due to their capacity as a shareholder of Shanghai Hospital and Shanghai Imaging Center, respectively, and such share pledges can be released if the relevant entity is no longer a shareholder of Shanghai Hospital and Shanghai Imaging Center; and no other securities or guarantees from the Controlling Shareholders or their respective close associates will be required under the Shanghai Bank Loans.

Our Directors are of the view that premature discharge of the guarantees in respect of remaining loans (including accrued interest) in the amount of RMB32.9 million provided by Dr. Yang and/or his spouse and the share pledges provided by CCM (Hong Kong) Medical Investment Limited and Global Medical Imaging (Hong Kong) Limited would be impractical and unduly onerous to our Group and would not be in the best interests of our Group and our Shareholders, considering that early replacement or discharge of the relevant loans and finance leases would require renegotiation of the terms with the relevant banks and institutions, and the renegotiation would take considerable time which may affect our normal operation.

During the Track Record Period, we also entered into a lease agreement with Guangzhou Medstar Medical Technology Service Co., Ltd. (醫星（廣州）醫療技術服務有限公司) ("Guangzhou Medstar"), a subsidiary of Shanghai Medstar, pursuant to which, (1) Guangzhou Medstar agreed to lease certain proton equipment to Guangzhou Hospital for a term of five years; and (2) Guangzhou Hospital agreed to make periodic lease payment to Guangzhou Medstar until the end of the lease term. The lease amount under such agreement is RMB412.0 million; and the aggregate lease payment obligation owed or to be owed by Guangzhou Hospital to Guangzhou Medstar for each of 2021, 2022, 2023, 2024 and 2025 shall be RMB20.7 million, RMB35.4 million, RMB66.6 million, RMB130.0 million and RMB159.3 million, respectively. Details of the background and the principal terms of the transaction are summarized as below:

Pursuant to an equipment procurement agreement ("Equipment Procurement Agreement") dated September 20, 2020 entered into by Guangzhou Medstar with, among others, Guangzhou Hospital, (1) Guangzhou Medstar shall purchase certain proton therapy equipment (the "Proton Equipment") from Guangzhou Hospital at an aggregate consideration of RMB412.0 million; and (2) Guangzhou Hospital agreed that Guangzhou Medstar may obtain financing, for the purpose of the purchase of Proton Equipment, from Guangdong Yuecai Finance Lease Company Limited (廣東粵財金融租賃股份有限公司) ("Guangdong Yuecai") or other finance leasing company permitted by Guangzhou Hospital. Accordingly, Guangzhou Medstar (as the lessee) entered into a finance lease agreement with, among others, Guangdong Yuecai and Da'an Finance Lease (Guangzhou) Co., Ltd. (達安融資租賃（廣州）有限公司) ("Guangzhou Da'an") (as the lessors), each being an Independent Third Party, on October 28, 2020 (as amended and supplemented in September 2022, the "Guangzhou Medstar Lease Agreement"), pursuant to which Guangzhou Medstar sell and transfer the legal title of the Proton Equipment to Guangdong Yuecai and Guangzhou Da'an, who then lease such equipment back to Guangzhou Medstar in exchange for periodic lease payments for a term of five years. As of the Latest Practicable Date, our Company, Shanghai Outpatient Center, Dr. Yang and Shanghai Medstar have entered into agreements with Guangdong Yuecai, respectively, to provide guarantees over the payment obligation owed by Guangzhou Medstar to Guangdong Yuecai and Guangzhou Da'an under the Guangzhou Medstar Lease Agreement (the agreements entered into by our Company and Shanghai Outpatient Center with Guangdong Yuecai referred to as "Original Guarantee Agreements"); and Shenzhen Aohua has entered into a difference make-up agreement ("Further Guarantee Agreement," together with the Original Guarantee Agreements, the "Guarantee Agreements") with Guangzhou Medstar, Guangdong Yuecai and Guangzhou Da'an, pursuant to which Shenzhen Aohua agrees to pay the amount (if any) due which should have been paid by Guangzhou Medstar to Guangdong Yuecai and Guangzhou Da'an pursuant to the payment schedule under the Guangzhou Medstar Lease Agreement to the extent Guangzhou Medstar fails to pay such amount in time. The total lease amount under the Guangzhou Medstar Lease Agreement (as amended and supplemented in September 2022) is RMB377.8 million; and the aggregate lease payment obligation owed by Guangzhou Medstar for each of 2021, 2022, 2023, 2024 and 2025 shall be RMB20.7 million, RMB35.4 million, RMB66.8 million, RMB130.1 million and RMB124.7 million, respectively. Pursuant to the Guangzhou Medstar Lease Agreement, Guangzhou Medstar shall also pay the risk deposit in an amount of approximately RMB15.0 million. In connection with the arrangement under the Guangzhou Medstar Lease Agreement, Guangzhou Medstar also entered into a consulting service agreement with each of Guangdong Yuecai and Huoerguosi Anchengda Enterprise Consulting Management Co., Ltd. (霍爾果斯安丞達企業諮詢管理有限公司) ("Anchengda"), a wholly owned subsidiary of Guangzhou Da'an (the "Consulting Agreement"), pursuant to which Guangzhou Medstar shall pay an aggregate amount of approximately RMB15.5 million to Guangdong Yuecai and Anchengda, for the consulting services in connection with financial management provided by Guangdong Yuecai and Anchengda. Accordingly, taken the Guangzhou Medstar Lease Agreement and the Consulting Agreement as a whole, the total amount that shall be paid by Guangzhou Medstar to Guangzhou Yuecai, Guangzhou Da'an and Anchengda is approximately RMB408.3 million, which is comparable to the aggregate consideration under the Equipment Procurement Agreement; and the difference in the amount of approximately RMB3.7 million was set aside by Guangzhou Medstar mainly for tax and levy that may incur in connection with the transaction.

Pursuant to a lease agreement dated October 28, 2020 entered into between Guangzhou Hospital and Guangzhou Medstar (as amended and supplemented in September 2022, the "Guangzhou Hospital Lease

Agreement"), (1) Guangzhou Medstar (as the lessor) agreed to lease the Proton Equipment to Guangzhou Hospital for a term of five years; and (2) Guangzhou Hospital (as the lessee) agreed to make periodic lease payment to Guangzhou Medstar until the end of the lease term. The total lease amount under the Guangzhou Hospital Lease Agreement (as amended and supplemented in September 2022) is RMB412.0 million; and the aggregate lease payment obligation owed by Guangzhou Hospital to Guangzhou Medstar for each of 2021, 2022, 2023, 2024 and 2025 shall be RMB20.7 million, RMB35.4 million, RMB66.6 million, RMB130.0 million and RMB159.3 million, respectively.

During the Track Record Period, we primarily entered into most of our finance lease arrangement with independent third parties; and as of the date of this document, save for the aforementioned lease arrangement, there is no other finance lease arrangement in force which are entered into between our Group and the Controlling Shareholders or their respective close associates.

Notwithstanding the above, our Directors are of the view that we are financially independent of our Controlling Shareholders and/or their close associates for the following reasons:

(1) we have sufficient capital to operate our business independently. As of June 30, 2023, our banking deposit balance was approximately RMB257.1 million. We are capable of obtaining, if necessary, financing from independent financial institutions without relying on any guarantee or security provided by our Controlling Shareholders and/or their close associates. In particular, as of the Latest Practicable Date, we have unutilized credit facilities from independent third-party commercial banks in an aggregate amount of RMB820.0 million which will be available for our Group's drawdown without any assistance, guarantee or security from our Controlling Shareholders or their respective close associates; and

(2) we have an independent financial system and make financial decisions according to our Group's own business needs independently. We have internal control and accounting systems and an independent finance department for discharging the treasury function.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the **[REDACTED]**.

## CALL OPTION AGREEMENT

Concord Medical, Wuxi MJ, Wuxi Concord and each of its shareholders, and our Company entered into a call option agreement dated May 18, 2022 (the "Call Option Agreement"), pursuant to which Concord Medical, Wuxi Concord and each of its shareholders granted to our Group an exclusive and irrevocable option (the "Call Option"), at our sole and absolute discretion and during the Relevant Period, to acquire all or part of the equity interest held directly or indirectly by Concord Medical in Wuxi Concord and Wuxi MJ at a price as determined based on the appraisal value of such equity interest in Wuxi Concord and Wuxi MJ at that time, which will be determined by an independent qualified valuer, subject to the necessary governmental approvals, registrations, filings and the compliance with the requirements under the Listing Rules.

In addition, the following additional corporate measures will be adopted by our Company to protect the minority Shareholders' rights:-

(1) decision for the exercise or non-exercise of the Call Option shall be determined by our independent non-executive Directors only;

(2) our independent non-executive Directors are empowered to engage professional advisors at our cost for advices on matters relating to the Call Option; and

(3) our Company will disclose in an announcement on the decision, with basis, of our independent non-executive Directors to pursue or decline the exercise of the Call Option and comply with the Listing Rules accordingly.

As at the date of this document, the Directors have not exercised and currently have no plan to exercise the Call Option. The Call Option will be exercised in the best commercial interests of public Shareholders and will be determined by our independent non-executive Directors upon taking appropriate professional advice as above-mentioned, and having considered, as a minimum, (1) our Company's management resources, and (2) Wuxi Hospital's business prospects. If the Call Option will in the future be exercised, the acquisition will be financed through our internal resources or through obtaining external financings, or a combination of both, depending on the financial positions of our Group at the relevant time. Pursuant to the Call Option Agreement, in the event that our independent non-executive Directors decide not to exercise the Call Option, CCM Group shall dispose of all or part of the equity interest held by CCM Group in Wuxi Concord and Wuxi MJ to independent third parties, on terms and conditions not more favorable than those provided to us.

Pursuant to the Call Option Agreement, the Relevant Period refers to the period which commences from the **[REDACTED]** and ends on the following dates (whichever is earlier):

(1) the date when the Shares cease to be **[REDACTED]** on the Stock Exchange; and

(2) the date when the Controlling Shareholders cease to be controlling shareholders of our Company.

## NON-COMPETITION UNDERTAKING

### Deed of Non-Competition

On [●], our Controlling Shareholders entered into the deed of non-competition in favor of our Company, pursuant to which our Controlling Shareholders have each undertaken to our Company that during the Restricted Period (as defined below), they will not and will procure their close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business ("Restricted Business") which competes or may compete directly or indirectly with our Core Business. In particular, the Controlling Shareholders have undertaken that during the Restricted Period (as defined below), they will not and will procure their close associates (except any member of our Group) not to engage in finance lease transactions when the underlying equipment are also covered by the Group's operating lease services.

The Controlling Shareholders have each further undertaken that during the Restricted Period (as defined below), they should and will procure their close associates (except any member of our Group) (the Controlling Shareholders and their close associates together, "Offeror") to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities ("New Business Opportunities") related to the Restricted Business become available to the Offerors:

(1) the Offerors will refer New Business Opportunities to us, and will within twenty (20) business days inform us in writing ("Offer Notice") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (i) whether the relevant New Business Opportunities will compete with our business, and (ii) whether pursuit of the New Business Opportunities is in the interest of our Group;

(2) upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of our Group and our Shareholders. Our Company must inform the Offeror in writing within twenty (20) business days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued; and

(3) only when (i) the Offerors have received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our Restricted Business; or (ii) the Offerors have not received the relevant notice from our Company within the period as stated above in paragraph (2) after the Offer Notice has been received by us, then the Offerors are entitled to pursue the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offerors, referral of the revised New Business Opportunities shall be made by the Offerors to us again in the manner as stated above.

The undertakings under the deed of non-competition are not applicable in the following circumstances:

(1) the Controlling Shareholders and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group;

(2) any business engaged directly or indirectly by the Controlling Shareholders and/or their respective close associates through the equity interests held directly or indirectly by the Controlling Shareholders (other than the Group) as disclosed in this document; or

(3) the Controlling Shareholders and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in companies other than our Group, provided that the Controlling Shareholders and/or their respective close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and the Controlling Shareholders and/or their respective close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the deed of non-competition, the Restricted Period refers to the period which commences from the **[REDACTED]** and ends on the following dates (whichever is earlier):

(1) the date when the H Shares cease to be **[REDACTED]** on the Stock Exchange; and

(2) the date when all Controlling Shareholders and their close associates cease to be controlling shareholders of our Company.

## CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including that:

(1) our independent non-executive Directors will review, at least on an annual basis, whether there is any conflict of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(2) our independent non-executive Directors will review the compliance with the undertakings under the deed of non-competition by our Controlling Shareholders on an annual basis;

(3) our Controlling Shareholders will provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors;

(4) our Company will disclose decisions on matters (if any) reviewed by our independent non-executive Directors in the annual reports of our Company or in the announcement under the Listing Rules;

(5) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(6) our Company has established internal control mechanism to identify connected transactions. Upon **[REDACTED]**, if our Company enters into connected transactions with Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(7) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;

(8) we [have] appointed Haitong International Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(9) we have established the audit committee, remuneration and appraisal committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

## CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon **[REDACTED]**:

| Connected Persons | Connected Relationship |
|---|---|
| Dr. Yang | one of our Directors and one of our Controlling Shareholders |
| Beijing Concord | one of our Controlling Shareholders |
| Concord Hospital Management Group Limited ("Concord HK") | one of our Controlling Shareholders |

## CONTINUING CONNECTED TRANSACTIONS

### Fully-exempt Continuing Connected Transactions

***Trademark Licensing***

*Principal terms*

In December 2023, our Company (for itself and on behalf of other members of our Group) entered into a trademark license agreement (the "Trademark License Agreement") with Beijing Concord, pursuant to which Beijing Concord agreed to irrevocably and unconditionally grant to our Company and our subsidiaries a non-exclusive right to use certain trademarks ("Licensed Trademarks") in the PRC on a royalty-free basis. See "Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights" in Appendix V to this document for details.

The Trademark License Agreement, in relation to each of the Licensed Trademarks thereunder, shall be of a term commencing from the date of the Trademark License Agreement and ending on the expiry date of the registration of the Licensed Trademarks in the respective jurisdiction. The Trademark License Agreement is not unilaterally terminable by Beijing Concord and Beijing Concord has undertaken to renew and maintain the registration of the Licensed Trademarks upon expiry.

*Listing Rule Implications*

Beijing Concord is one of the Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Trademark License Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As the right to use the Licensed Trademarks is granted to our Group on a royalty-free basis, the transactions under the Trademark Licensing Agreement will be within the *de minimis* threshold provided under Rule 14A.76(1) of the Listing Rules upon **[REDACTED]** and will be exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Guarantees and share pledges provided by Dr. Yang and his close associates***

Dr. Yang and certain of his close associates provided guarantees and share pledges (the "Connected Guarantees") in favor of our Group in respect of certain financing arrangements entered into by our Group. We have no current plan to release all the outstanding Connected Guarantees prior to completion of the **[REDACTED]** as our Directors believe that the Connected Guarantees are in the best interests of our Group and Shareholders as a whole. For more details of Connected Guarantees as well as the reasons for and benefits of the Connected Guarantees, see "Relationship with our Controlling Shareholders—Independence from the Controlling Shareholders—Financial Independence" of this document.

*Listing Rules Implications*

The Connected Guarantees constitute financial assistance received by our Group from our connected persons for the benefit of our Group under Rule 14A.90 of the Listing Rules. Since the Connected Guarantees are on normal commercial terms or better to our Group and are not secured by the assets of our Group, the Connected Guarantees are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**Partially-exempt Continuing Connected Transactions**

***Consulting Agreement***

*Principal Terms*

Concord HK and Shanghai Hospital entered into a consulting agreement on January 1, 2021 (as supplemented by a supplemental agreement dated May 26, 2022, collectively the "Consulting Agreement") in furtherance of an oversea consulting agreement entered into between Concord HK and a world-renowned medical institution, namely The University of Texas MD Anderson Cancer Center ("MD Anderson" or the "MI") on December 17, 2020 (the "Oversea Consulting Agreement"). Pursuant to the Consulting Agreement, it is agreed that, among others, (i) Shanghai Hospital shall receive such oncology services directly from the MI, (ii) Shanghai Hospital shall pay Concord HK for such consideration as required to compensate the MI under the Oversea Consulting Agreement on a quarterly basis, and (iii) Shanghai Hospital shall be exclusively entitled to all rights, interests, benefits and entitlements granted by the MI to Concord HK under the Oversea Consulting Agreement. The total amount payable by Shanghai Hospital to Concord HK under the Consulting Agreement is US$14,640,000, including US$1,320,000 per year in the first two years (i.e., the years of 2021 and 2022) in eight equal quarterly payments and US$1,500,000 per year in the remaining eight years (i.e., the years from 2023 to 2030) in thirty-two equal quarterly payments. The payment arrangement pursuant to the Consulting Agreement is solely to pay Concord HK for its advance of funds to compensate the MI under the Oversea Consulting Agreement. Concord HK did not take any advantages from the transactions contemplated under the Oversea Consulting Agreement and the Consulting Agreement, and is only participating in such transactions by passing through the funds.

The term of the Consulting Agreement commenced from January 1, 2021 and shall expire on December 31, 2030.

*Reasons for the Transactions*

The Group has been in collaboration with the MI since 2015 and some of its hospitals and clinics in the PRC have previously entered into consulting agreements directly with the MI. The MI is one of the best-known cancer treatment centers in the world and the largest cancer center in the United States. Pursuant to such collaboration arrangement, the MI has been providing comprehensive consultation and support in the form of, among others, clinical practice development, cancer center development, medical direction, physician and staff education, as well as research, strategic and business support to the Group. Around the end of 2020, in order to streamline the contract signing procedures, the Group decided to replace such hospitals and clinics in the previous consulting agreements with an offshore entity within the same group. As there was no concrete plan to seek for a separate **[REDACTED]** of the Group at the relevant time, Concord Medical, as the holding company of the Group, selected one of its existing offshore entities, namely Concord HK, which is only an investment holding vehicle with no other business operations and is a wholly owned subsidiary of Concord Medical and one of the Controlling Shareholders, to be the replacing contract party; and the parties acknowledged that the oncology services shall still be provided to the Group. Accordingly, Concord HK and Shanghai Hospital entered into the Consulting Agreement in furtherance of the Oversea Consulting Agreement.

*Historical Amounts*

For the years ended December 2020, 2021 and 2022 and the six months ended June 30, 2023, the amounts paid by Shanghai Hospital to Concord HK under the Consulting Agreement were nil, US$1,320,000, US$1,320,000 and US$750,000, respectively.

*Annual Cap*

Pursuant to the Consulting Agreement, the annual amount payable by Shanghai Hospital to Concord HK will be US$1,500,000 during the remaining term of such agreement, i.e., from 2023 to 2030.

*Listing Rule Implications*

The transactions contemplated under the Consulting Agreement constitute continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]** as Concord HK, a party to the Consulting Agreement, is an associate of a connected person of the Group pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Consulting Agreement constitute continuing connected transactions of our Company under the Listing Rules upon **[REDACTED]**.

One or more of the applicable percentage ratios of transactions contemplated under the Consulting Agreement will exceed 0.1% but all will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

*Reasons for the Waiver Application*

Our Directors are of the view that (1) the Consulting Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, which are fair and reasonable and in the interests of our Group and our Shareholders as a whole, and (2) changing of the contracting parties or early termination of the Consulting Agreement would be unduly onerous to our Group and would not be in the best interests of our Group and our Shareholders, considering that a renegotiation of the terms might be time-consuming.

Rule 14A.52 of the Listing Rules provides that the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors are of the view that, with respect to the term of the Consulting Agreement which is of a duration longer than three years, it is a normal business practice for agreements of the type of the Oversea Consulting Agreement to be of a duration longer than three years, which will ensure stability of the collaboration relationship with the MI as well as the consultation and support that could be received by our Group.

*Waiver Application*

In view of the Consulting Agreement, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Consulting Agreement subject however to the following conditions: (1) no change to the Consulting Agreement will be made without the approval of the independent non-executive Directors, (2) our independent non-executive Directors will review the transactions contemplated under the Consulting Agreement on an annual basis and confirm in our annual reports the matters set out in Rule 14A.55 of the Listing Rules, (3) we will re-comply with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the Consulting Agreement, (4) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this document on the above continuing connected transactions, our Company will take immediate steps to ensure compliance with such new requirements, and (5) our Company will comply with other requirements under Chapter 14A of the Listing Rules to the extent not otherwise waived by the Stock Exchange.

## DIRECTORS' CONFIRMATION

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in this section, including but not limited to terms and annual caps thereof, have been entered into and are conducted in the ordinary and usual course of our business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With respect to the term of the Consulting Agreement which is of a duration longer than three years, it is a normal business practice for agreements of the type of the Oversea Consulting Agreement to be of a duration longer than three years, which will ensure stability of the collaboration relationship with the MI as well as the consultation and support that could be received by our Group.

## JOINT SPONSORS' CONFIRMATION

The Joint Sponsors are of the view that the aforesaid continuing connected transactions, for which waivers have been sought, have been entered into in the ordinary and usual course of our business on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed monetary annual caps in respect of these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With respect to the term of the Consulting Agreement which is of a duration longer than three years, the Joint Sponsors are also of the view that it is a normal business practice for agreements of the type of the Consulting Agreement to be of such duration.

## INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

(1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;

(2) our Board and various internal departments of our Company will be jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;

(3) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements;

(4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and

(5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions and comply with the conditions prescribed under the wavier submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.

## BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election upon the expiry of such term. The following table sets forth information regarding our current Directors.

| Name | Age | Position | Date of appointment/ election as Director | Time of joining our Group | Responsibilities | Relationship with other Directors, Supervisors or senior management |
|---|---|---|---|---|---|---|
| Dr. YANG Jianyu (楊建宇) | 52 | Chairman of the Board and executive Director | July 23, 2008 | July 2008 | Overall strategy planning and business development of our Group | None |
| Ms. FU Xiao (付驍) | 56 | Executive Director, general manager and president | April 7, 2020 | April 2009 | Overall business operation and management of our Group | None |
| Mr. CHANG Liang (常亮) | 42 | Executive Director and vice president | April 29, 2022 | June 2009 | Overall management of medical equipment, software and related services of our Group | None |
| Mr. SHI Botao (施波濤) | 48 | Executive Director and secretary of the Board | June 20, 2023 | August 2015 | Overall management of corporate governance and secretarial matters of our Group | None |
| Mr. WANG Lei (王雷) | 47 | Non-executive Director and vice chairman of the Board | September 5, 2018 | September 2018 | Providing guidance and advice on the business strategies of our Group | None |
| Mr. CHEN Hongzhang (陳宏章) | 47 | Non-executive Director | April 7, 2020 | April 2020 | Providing guidance and advice on the business strategies of our Group | None |
| Ms. LI Xuemei (李雪梅) | 56 | Independent Non-executive Director | May 9, 2022 *(Note)* | - | Supervising and providing independent opinion to our Board | None |

| Name | Age | Position | Date of appointment/ election as Director | Time of joining our Group | Responsibilities | Relationship with other Directors, Supervisors or senior management |
|---|---|---|---|---|---|---|
| Mr. SUN Yansheng (孫延生) | 60 | Independent Non-executive Director | May 9, 2022 *(Note)* | - | Supervising and providing independent opinion to our Board | None |
| Mr. NG Kwok Yin (吳國賢) | 48 | Independent Non-executive Director | May 9, 2022 *(Note)* | - | Supervising and providing independent opinion to our Board | None |

*Note: Each of Ms. Li, Mr. Sun and Mr. Ng was elected as our independent non-executive Director in May 2022 and such appointment will be effective from the* **[REDACTED]**.

**Executive Directors**

**Dr. YANG Jianyu (楊建宇)**, aged 52, is our chairman of the Board and executive Director. He is primarily responsible for the overall strategy planning and business development of our Group. Dr. Yang was appointed as a director of our Company since the establishment of our Company in July 2008, and also served as the general manager of our Company from July 2008 to August 2015. He has also served as a director and general manager of certain of our subsidiaries, including serving as the executive director and general manager of Yinchuan Meizhong Jiahe Internet Hospital Co., Ltd. since November 2020 and as a director and chairman of the board of Shanghai Concord Medical Cancer Center Co., Ltd., Shanghai Concord Medical Cancer Hospital Limited and Guangzhou Concord Cancer Center Co., Ltd. since October 2018, March 2014 and June 2011, respectively.

Dr. Yang has served as the chief executive officer and a director of Concord Medical since March 2008, and as the chairman of its board since November 2011. He also serves as a director in the several subsidiaries of Concord Medical, including Beijing Century Friendship Technology Development Co., Ltd. (北京世紀友好科技開發有限公司), Beijing Concord, Tianjin Concord and Shanghai Medstar since March 2020, October 2015, April 2010 and October 2009, respectively.

Prior to joining our Group, Dr. Yang served as the president at Eguard Resources Development Co., Ltd. (合加資源發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 0826), from January 2003 to January 2007, where he was primarily responsible for its overall management.

Dr. Yang obtained a master's degree of business administration from Yale University in May 2015, a doctoral degree and a master's degree in economics from Liaoning University (遼寧大學) in June 1999 and July 1996, respectively. He obtained a bachelor's degree in economics from Inner Mongolia University of Finance and Economics (內蒙古財經大學) in July 1993. Dr. Yang is a senior economist recognized by Beijing Senior Professional and Technical Position Evaluation Committee (北京市高級專業技術職務評審委員會) in September 2001.

**Ms. FU Xiao (付驍)**, aged 56, is our executive Director, general manager and president. She is primarily responsible for the overall business operation and management of our Group. Ms. Fu joined our Group in April 2009 as a vice president of our Company and was appointed as a Director in April 2020. She has served as the general manager and president of our Company since February 2021 and January 2021, respectively.

Ms. Fu served as the vice president at Shanghai Medstar from March 2003 to June 2009. She served as a senior vice president at Concord Medical from July 2009 to March 2019 and as the chief operating officer from March 2019 to January 2021.

Ms. Fu graduated from the nursing school of The Second Military Medical University (第二軍醫大學) in July 1986, and the nursing school of Chinese PLA Postgraduate Medical School (解放軍軍醫進修學院) in October 1993. Ms. Fu also obtained a certificate of completion on EMBA Advanced Seminar on Hospital Management (醫院管理EMBA高級研修班) from Peking University in March 2014.

**Mr. CHANG Liang (常亮)**, aged 42, is our executive Director and vice president. He is primarily responsible for the overall management of medical equipment, software and related services of our Group. Mr. Chang joined our Group in June 2009 and has served as our vice president since August 2015. He was appointed as our executive Director in April 2022.

Prior to joining our Group, Mr. Chang worked at German Medtech (Beijing) Co., Ltd. (德邁特醫學技術（北京）有限公司), a company primarily engaged in the development, manufacturing and sale of medical products, from April 2008 to March 2009, and worked at Vaillant (China) Heating and Refrigeration Environmental Technology Co., Ltd. (威能（中國）供熱製冷環境技術有限公司), a company primarily engaged in the manufacturing of heating and air conditioning equipment, from December 2004 to April 2007. He also worked as an auditor at Shanxi Baopeng Certified Public Accountants' Firm (山西寶鵬會計師事務所有限公司) from January 2003 to September 2004.

Mr. Chang obtained a bachelor's degree in accounting from Nankai University (南開大學) in June 2002 and a master's degree in hospital management from Flinders University in Australia in May 2018.

**Mr. SHI Botao (施波濤)**, aged 48, is our executive Director and secretary of the Board. He is primarily responsible for the overall management of corporate governance and secretarial matters of our Group. Mr. Shi joined our Group in August 2015 and has served as the board secretary of our Company since then. He was appointed as our executive Director in June 2023. He has also served as the supervisor at Shanghai Concord Medical Cancer Hospital Limited and Guangzhou Concord Cancer Center Co., Ltd. since December 2013 and April 2011, respectively.

Mr. Shi served as the board secretary and the general manager of asset management department at Concord Medical from October 2007 to July 2015.

Mr. Shi obtained a bachelor's degree in statistics from North China University of Technology (北方工業大學) in July 1998 and a master's degree in business management from Beijing Institute of Technology (北京理工大學) in June 2013.

**Non-executive Directors**

**Mr. WANG Lei (王雷)**, aged 47, is our non-executive Director and vice chairman of the Board. He is primarily responsible for providing guidance and advice on the business strategies of our Group. Mr. Wang was appointed as a Director of our Company in September 2018.

Mr. Wang has served as a managing director at CICC Capital Management Co., Ltd. (中金資本運營有限公司) since March 2019, and successively served as a vice president, an executive director and a managing director at CICC Jia Cheng Investment Management Co., Ltd. (中金佳成投資管理有限公司) from November 2010 to January 2011, from January 2011 to January 2015 and from January 2015 to March 2019, respectively. From December 2009 to November 2010, he also served as the vice general manager at China International Capital Corporation Limited, a company listed on the Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 3908). Prior to that, he served as a deputy director at Standard Chartered Private Equity Managers (Hong Kong) Limited (渣打私募股權（香港）有限公司) from April 2009 to December 2009, and as an analyst at investment banking department of China International Capital Corporation Limited from June 2000 to September 2004. Mr. Wang also served as a director at Hangzhou Onechance Tech Co., Ltd. (杭州壹網壹創科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300792), from February 2017 to April 2021, and as a non-executive director at Freetech Road Recycling Technology (Holdings) Limited (英達公路再生科技（集團）有限公司), a company listed on the Stock Exchange (stock code: 6888), from December 2013 to February 2021.

Mr. Wang obtained a bachelor's degree in international finance from Central University of Finance and Economics (中央財經大學) in July 1999 and a master's degree in business administration from St. Hugh's College, the University of Oxford in September 2005.

**Mr. CHEN Hongzhang (陳宏章)**, aged 47, is our non-executive Director. He is primarily responsible for providing guidance and advice on the business strategies of our Group. Mr. Chen was appointed as a Director of our Company in April 2020.

Since August 2018, Mr. Chen has been working in various positions at CITIC Industrial Investment Group Corp., Ltd., an indirectly wholly-owned subsidiary of CITIC Limited, a company listed on the Stock Exchange (stock code: 0267), or its subsidiaries, including as the vice general manager at the investment department of CITIC Industrial Investment Group Corp., Ltd. from August 2018 to December 2019, as the vice general manager at CITIC Private Equity Investment (Shanghai) Co., Ltd (中信創業投資（上海）有限公司) from January 2021 to December 2021, and is currently serving as the manager of Ningbo Xinyu Jiahui Enterprise Management Co., Ltd. (寧波信鈺嘉慧企業管理有限公司). During the period from November 2017 to August 2018 and from March 2013 to June 2014, Mr. Chen worked at CITIC Securities Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030). He also served as a director at Gold Stone Investment Co., Ltd. (金石投資有限公司) from July 2014 to October 2017, worked at the Beijing office of Deloitte China (德勤諮詢（上海）有限公司) from January 2006 to February 2013, and worked at Industrial and Commercial Bank of China (中國工商銀行), a company listed on the Shanghai Stock Exchange (stock code: 601398) and the Stock Exchange (stock code: 1398), from January 2003 to September 2004.

Mr. Chen obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in July 1998 and a master's degree in accounting and finance from London School of Economics and Political Science in July 2005.

**Independent Non-executive Directors**

**Ms. LI Xuemei (李雪梅)**, aged 56, is our independent non-executive Director. She is primarily responsible for supervising and providing independent opinion to our Board.

Ms. Li has been working in the School of Economics and Management (經濟管理學院) of Beijing Jiaotong University (北京交通大學) since December 1995, and has been a professor since November 2010. She has served as an independent non-executive director of CCID Consulting Company Limited (賽迪顧問股份有限公司), a company listed on the Stock Exchange (stock code: 2176), since November 2011. Ms. Li was a visiting scholar at the University of Nevada from August 2014 to December 2014 and a visiting professor at Dartmouth College from December 2014 to August 2015.

Ms. Li obtained a doctoral degree in management from Beijing Jiaotong University in January 2008.

**Mr. SUN Yansheng (孫延生)**, aged 60, is our independent non-executive Director. He is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Sun worked as a member and researcher at planning and development committee of CSRC from February 2013 to April 2016. He also worked as a partner at Beijing Tianyin Law Firm (北京市天銀律師事務所) from December 2002 to March 2013.

Mr. Sun has served as an independent non-executive director of China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), a company listed on the Stock Exchange (stock code: 1432), and as an independent non-executive director of Steve Leung Design Group Ltd. (梁志天設計集團有限公司), a company listed on the Stock Exchange (stock code: 2262), since July 2021 and June 2018, respectively. He has also served as an independent director of Mudanjiang Hengfeng Paper Co., Ltd. (牡丹江恒豐紙業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600356), and as an independent director of Gansu Lanke Petrochemical High-tech Equipment Co., Ltd. (甘肅藍科石化高新裝備股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601798), since May 2021 and December 2020, respectively. From September 2017 to June 2022, Mr. Sun served as an independent director of Arctech Solar Holding Co., Ltd. (江蘇中信博新能源科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688408).

Mr. Sun obtained a bachelor's degree in law from Inner Mongolia University (內蒙古大學) in July 1986. He further obtained a graduate diploma in political economics from Harbin Institute of Technology (哈爾濱工業大學) in May 1999 and a master's degree in law from Renmin University of China in July 2003. Mr. Sun obtained his lawyer license granted by the Ministry of Justice of the PRC in June 1994.

Mr. Sun was a director of China Art Industry (Group) Co., Limited (中國美術產業（集團）有限公司), which ceased to carry on business and was dissolved by way of deregistration. It was solvent at the time of its dissolution. Mr. SUN Yansheng was also the supervisor and a shareholder of Beijing Aidilong Investment Consultant Co., Ltd. (北京艾狄龍投資顧問有限公司), a company established in the PRC principally engaged in consulting services which has its business license revoked in December 2008 due to its failure to conduct annual inspection. As confirmed by Mr. Sun, to the best of his knowledge, (1) the company above was inactive and solvent at the time of its revocation of business license; (2) there was no wrongful act on his part leading to the revocation of business license; (3) he has not received any notification in respect of penalty, acting or proceeding from the PRC authorities as a result of such revocation of business license; and (4) he is not aware of any actual or potential claim which has been or will be made against him as a result of such revocation of business license.

**Mr. NG Kwok Yin (吳國賢)**, aged 48, is our independent non-executive Director. He is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Ng has served as a director and chief financial officer at Zhangmen Education Inc., a company listed on the New York Stock Exchange (symbol: ZME), from November 2020 to July 2021. He also served as a chief financial officer at Meten Edtechx Education Group Ltd., a company listed on the New York Stock Exchange (symbol: METX), from July 2019 to July 2020, and as a chief financial officer at Ming Yang Smart Energy Group Limited (明陽智慧能源集團股份公司), a company listed on the Shanghai Stock Exchange (stock code: 601615), from November 2014 to July 2019. Prior to that, he worked as a senior audit manager at KPMG from October 1999 to August 2012.

Mr. Ng obtained a bachelor's degree in accounting from the Hong Kong University of Science and Technology (香港科技大學) in November 1999. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2003. He also obtained the board secretary certificate awarded by the Shanghai Stock Exchange in April 2019.

## SUPERVISORY COMMITTEE

The PRC Company Law requires our Company to establish a supervisory committee that is responsible for supervising, among others, the performance of our directors and senior management and the Company's financial operations. Our Supervisory Committee consists of three Supervisors, including one employee representative Supervisor. Our Supervisors are elected for a term of three years and are subject to re-election upon the expiry of such term. The following table sets forth information regarding our Supervisors.

| Name | Age | Position | Date of appointment | Time of joining our Group | Responsibilities | Relationship with other Directors, Supervisors or senior management |
|---|---|---|---|---|---|---|
| Mr. TENG Shengchun (滕勝春) | 45 | Chairman of the Supervisory Committee | August 2018 | May 2016 | Monitoring the Company's operations and supervising of the performance of our Directors and senior management | None |
| Mr. YU Yue (于越) | 39 | Supervisor | August 2018 | August 2018 | Monitoring the Company's operations and supervising of the performance of our Directors and senior management | None |

| Name | Age | Position | Date of appointment | Time of joining our Group | Responsibilities | Relationship with other Directors, Supervisors or senior management |
|---|---|---|---|---|---|---|
| Ms. JIANG Li (蔣瓅) | 34 | Employee representative Supervisor | April 2022 | November 2015 | Monitoring the Company's operations and supervising of the performance of our Directors and senior management | None |

**Mr. TENG Shengchun (滕勝春)**, aged 45, is a Supervisor of our Company. He is primarily responsible for the monitoring the Company's operations and supervising of the performance of our Directors and senior management. Mr. Teng was appointed as a supervisor of our Company in August 2018. He previously served as a director of Shanghai Concord Medical Diagnostic Imaging Limited from November 2017 to April 2021 and a director of Shanghai Concord Medical Cancer Center Co., Ltd. from May 2016 to July 2018.

Mr. Teng has served as the executive president at Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) since June 2021. He served as the president at Zhongrong Guofu Investment Management Co., Ltd. (中融國富投資管理有限公司) from September 2017 to June 2021. He also served as a senior investment director at Ping An Trust Co., Ltd. (平安信託有限責任公司), a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險（集團）股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 601318) and Stock Exchange (stock code: 2318), from May 2014 to February 2015. He worked as an executive director at China International Capital Corporation Limited, a company listed on the Shanghai Stock Exchange (stock code: 601995) and Stock Exchange (stock code: 3908), from September 2007 to October 2013. He also worked as a senior executive at CapitalLand Financial Limited China Office from February 2005 to August 2007. Prior to that, Mr. Teng worked as a business manager at China Construction First Group Corporation Limited (中國建築一局集團有限公司) from July 2000 to September 2003.

Mr. Teng obtained a bachelor's degree in engineering management from Harbin Institute of Technology (哈爾濱工業大學) in July 2000, and a master's degree in business administration from Tsinghua University (清華大學) in July 2005.

**Mr. YU Yue (于越)**, aged 39, is a Supervisor of our Company. He is primarily responsible for monitoring the Company's operations and supervising of the performance of our Directors and senior management. Mr. Yu was appointed as a supervisor of our Company in August 2018.

Mr. Yu has served as a director of Concord Medical since May 2021. Mr. Yu currently serves as a partner and chief executive officer at WisdoMont Asset Management (Shanghai) Co., Ltd. (盛山資產管理(上海)有限公司) since July 2014. He worked at GF Fund Management Co., Ltd. (廣發基金管理有限公司) from August 2013 to June 2014. He also worked at HSBC Jintrust Fund Management Company Limited (滙豐晉信基金管理有限公司) from January 2011 to July 2013.

Mr. Yu obtained a bachelor's degree in finance in June 2006 and a master's degree in management in January 2013 from Beijing Normal University (北京師範大學), respectively.

**Ms. JIANG Li (蔣瓅)**, aged 34, is a Supervisor of our Company. She is primarily responsible for monitoring the Company's operations and supervising of the performance of our Directors and senior management. Ms. Jiang joined our Group in November 2015 and has worked at the financial management center of our Company since then. She is currently working at the investor relationship department of our Company. She was appointed as a Supervisor of our Company in April 2022.

Prior to joining our Group, Ms. Jiang worked at the finance department at Beijing Ddb Needham Advertising Co., Ltd. (北京恒美廣告有限公司) and Beijing Century Fortunet Network Technology Co., Ltd. (北京世紀新幹線網絡技術有限公司) from July 2011 to March 2015 and from April 2015 to September 2015, respectively.

Ms. Jiang obtained a bachelor's degree in economics from Star College of Harbin Normal University (哈爾濱師範大學恒星學院) (currently known as Heilongjiang International University (黑龍江外國語學院)) in June 2011, and a bachelor's degree in science from Harbin Normal University (哈爾濱師範大學) in December 2012.

## SENIOR MANAGEMENT

The following table sets forth general information regarding our senior management.

| Name | Age | Position | Date of appointment as a senior management member | Time of joining our Group | Responsibilities | Relationship with other Directors, Supervisors or senior management |
|---|---|---|---|---|---|---|
| Ms. FU Xiao (付驍) | 56 | Executive Director, general manager and president | April 2009 | April 2009 | Overall business operation and management of our Group | None |
| Mr. CHANG Liang (常亮) | 42 | Executive Director and vice president | August 2015 | June 2009 | Overall management of medical equipment, software and related services of our Group | None |
| Mr. SHI Botao (施波濤) | 47 | Executive Director and secretary of the Board | August 2015 | August 2015 | Overall management of corporate governance and secretarial matters of our Group | None |
| Ms. CHANG Ying (常穎) | 40 | Chief financial officer | March 2019 | March 2015 | Overall management of financial and accounting affairs of our Group | None |

**Ms. FU Xiao (付驍)**, aged 56, is our executive Director, general manager and president. See "—Board of Directors—Executive Directors" for her biographical details.

**Mr. CHANG Liang(常亮)**, aged 42, is our executive Director and vice president. See "—Board of Directors—Executive Directors" for his biographical details.

**Mr. SHI Botao (施波濤)**, aged 47, is our executive Director and secretary of the Board. See "—Board of Directors—Executive Directors" for his biographical details.

**Ms. CHANG Ying (常穎)**, aged 40, is our chief financial officer. She is primarily responsible for the overall management of financial and accounting affairs of our Group. Ms. Chang joined our Group in March 2015 and successively served as a senior manager and then as a general manager at financial department of our Company, and she has been serving as the chief financial officer of our Company since March 2019.

Ms. Chang worked as an auditor at PricewaterhouseCoopers Zhong Tian LLP (普華永道中天（特殊合夥）會計師事務所) from October 2012 to February 2015.

Ms. Chang obtained a bachelor's degree in management from Central University of Finance and Economics (中央財經大學) in July 2005 and a master's degree in management from the University of Texas at Dallas in the United States in August 2011. Ms. Chang is a certified public accountant recognized by California Board of Accountancy in September 2011 and a certified management accountant recognized by Institute of Certified Management Accountants in January 2020.

Save as disclosed herein, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

## JOINT COMPANY SECRETARIES

**Mr. PAN Lichen (潘立臣)** is a joint company secretary of our Company. Mr. Pan joined our Group in July 2010 and has served as an assistant and manager of the asset management department and a deputy general manager of the securities department of our Company since then. He has been serving as a deputy general manager of investor relationship department of our Company since March 2019. He has also served as a supervisor of our Company from August 2015 to April 2022.

Mr. Pan obtained a bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in July 2010 and a master's degree in management from China Agricultural University (中國農業大學) in July 2016. Mr. Pan obtained the qualification certificate of board secretary from the NEEQ in May 2017.

**Ms. HO Wing Nga (何詠雅)** is a joint company secretary of our Company. Ms. Ho currently serves as the managing director of governance services of Computershare Hong Kong Development Limited and the joint company secretary and company secretary for various companies listed on the Stock Exchange. Ms. Ho has over 25 years of experience in corporate governance services. She obtained a master's degree in corporate governance from the Hong Kong Polytechnic University in December 2006 and became an associate of The Hong Kong Chartered Governance Institute (the "HKCGI," previously known as the Hong Kong Institute of Chartered Secretaries) in the same month. In March 2015, Ms. Ho became a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. She is also a holder of the practitioner's endorsement of the HKCGI and a member of The Hong Kong Institute of Directors.

## BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee. As of the date of this document, our Company has not formed a Communist Party Committee.

### Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. NG Kwok Yin, Mr. SUN Yansheng and Ms. LI Xuemei, with Mr. NG Kwok Yin being the chairman of the committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

### Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee with written terms of reference in compliance with the Corporate Governance Code, Appendix 14 to the Listing Rules. The Remuneration and Appraisal Committee consists of three Directors, namely Ms. LI Xuemei, Dr. YANG Jianyu and Mr. SUN Yansheng, with Ms. LI Xuemei serving as the chairwoman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

**Nomination Committee**

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code, Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. SUN Yansheng, Dr. YANG Jianyu and Ms. LI Xuemei, with Mr. SUN Yansheng serving as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors of our Company and overseeing the implementation of Board diversity policy.

## BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills. Considering our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. We recognize that the gender diversity at the Board level can be improved given the majority of our Directors are male. We will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole. The Company will maintain at least one Director of different gender and at least 10% representation of director of different gender in our Board. We will maintain a focus on gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential successors to our Board. We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to enhance the effectiveness of our corporate governance as a whole.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the **[REDACTED]**, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

## EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors, and senior management members, who are also employees of our Company, emolument in the form of salaries, remuneration, pension, discretionary bonus and other welfares. Our non-executive Directors and independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amount of emolument (including salaries, remuneration, pension, discretionary bonus and other welfares) paid to our Directors and Supervisors for the three years ended December 31, 2022 and the six months ended June 30, 2023 were RMB1.5 million, RMB4.3 million, RMB5.1 million and RMB2.0 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument payable to our Directors and Supervisors for the year ending December 31, 2023, will be approximately RMB3.5 million.

For the three years ended December 31, 2022 and the six months ended June 30, 2023, the aggregate amount of emolument paid to the five highest paid individuals of our Group were RMB14.0 million, RMB19.4 million, RMB12.8 million and RMB5.4 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors, Supervisors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors and Supervisors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals of our Company during the Track Record Period.

## COMPLIANCE ADVISOR

We [have] appointed Haitong International Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor 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;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the **[REDACTED]** or **[REDACTED]** of its **[REDACTED]** or any other matters in accordance with Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 3A.24 of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Listing Rules issued by the Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to our Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the **[REDACTED]** and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

## COMPETITION

Save as disclosed in "Relationship with our Controlling Shareholders" in this document, each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies which may overlap with our area of business within the broader healthcare industry. However, as these non-executive Directors are neither our Controlling Shareholders nor members of our executive management team, we believe that their interests in such companies as directors would not render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

So far as our Directors are aware, immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not **[REDACTED]**), the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, 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 our Company:

| Name of Shareholder | Capacity/ nature of interest | Description of Shares upon completion of the [REDACTED] | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the total share capital of our Company upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) | Approximate percentage of shareholding in our Domestic Shares / H Shares upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) |
|---|---|---|---|---|---|---|
| Dr. Yang(1)(2)(3) . . . . . . . . . . . . | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Ascendium Group Limited(1)(2)(3) . . . . . . . . . . . | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Concord Medical(1) . . . . . . . . . | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Morgancreek Investment Holdings Limited ("Morgancreek")(1) | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Ms. ZHANG Bi(1) . . . . . . . . . . | Interests of spouse; interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interests of spouse; interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

| Name of Shareholder | Capacity/ nature of interest | Description of Shares upon completion of the [REDACTED] | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the total share capital of our Company upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) | Approximate percentage of shareholding in our Domestic Shares / H Shares upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) |
|---|---|---|---|---|---|---|
| Shanghai Medstar[(2)] . . . . | Beneficial interest | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest held through voting powers entrusted by other persons | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest held through voting powers entrusted by other persons | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Beijing Concord[(3)] . . . . . | Beneficial interest | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Concord Hospital Management Group Limited[(3)] . . . . . . . . . . | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Tianjin Concord . . . . . . | Beneficial interest | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CICC Jiatai Phase II (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (中金佳泰貳期(天津)股 權投資基金合夥企業(有限合夥)) ("CICC Jiatai")[(4)] . . . . | Beneficial Interest | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CICC Capital Management Co., Ltd. . . . . . . . . . . . . . | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

| Name of Shareholder | Capacity/ nature of interest | Description of Shares upon completion of the [REDACTED] | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the total share capital of our Company upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) | Approximate percentage of shareholding in our Domestic Shares / H Shares upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) |
|---|---|---|---|---|---|---|
| China International Capital Corporation Limited | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Central Huijin Investment Ltd. | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Ningbo Xinyu Jiahui Enterprise Management Co., Ltd. (寧波信鈺嘉慧企業管理有限公司) ("Ningbo Xinyu")(5) | Beneficial Interest | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CITIC Industrial Investment Group Corp., Ltd. | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CITIC Corporation Limited | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CITIC Limited | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CITIC Polaris Limited | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CITIC Glory Limited | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CITIC Group Corporation Limited | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Gefei Yunnuo(6) | Beneficial interest | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Wuhu Gopher Asset Management Co., Ltd. | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Gopher Asset Management Co., Ltd. | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

| Name of Shareholder | Capacity/ nature of interest | Description of Shares upon completion of the [REDACTED] | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the total share capital of our Company upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) | Approximate percentage of shareholding in our Domestic Shares / H Shares upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) |
|---|---|---|---|---|---|---|
| Shanghai Noah Investment Management Co., Ltd. (上海諾亞投資管理有限公司) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Noah Holdings Limited | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Wuhu Juncheng Investment Center (Limited Partnership) (蕪湖俊成投資中心（有限合夥）)(7) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Shanghai Jingmu Enterprise Management Co., Ltd. (上海景穆企業管理有限公司) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Shanghai Jingmu Investment Management Co., Ltd. (上海景穆投資管理有限公司) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Shanghai Taiming Asset Management Co., Ltd. (上海鈦銘資產管理有限公司) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| TAN Wenhong (譚文虹) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CSPC NBP(8) | Beneficial interest | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CSPC Pharmaceutical Group Limited | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| WisdoMont Asset Management (Shanghai) Co., Ltd.(9) | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| GAN Shixiong (甘世雄) | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Shanghai Guanyou(10) | Beneficial interest | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| GUO jinchun (郭錦春) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

| Name of Shareholder | Capacity/ nature of interest | Description of Shares upon completion of the [REDACTED] | Number of Shares | Approximate percentage of shareholding in the issued share capital of our Company as of the date of this document | Approximate percentage of shareholding in the total share capital of our Company upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) | Approximate percentage of shareholding in our Domestic Shares / H Shares upon completion of the [REDACTED] (assuming no [REDACTED] of the [REDACTED]) |
|---|---|---|---|---|---|---|
| Shanghai Epu Supply Chain Technology Co., Ltd. | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Changsheng Assets(11) | Beneficial interest | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Inner Mongolia Qingyuan Holding Enterprise Management Center (Limited partnership) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Deriger (Shanghai) Consulting Management Center | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Deliger Batu (德力格爾巴圖) | Interest in controlled corporation | H Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| | Interest in controlled corporation | Domestic Shares | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

(1) Ascendium Group Limited is deemed to be interested in (i) the entire interests held by Shanghai Medstar, which is owned as to 98.19% by Ascendium Group Limited and as to 1.81% by Shanghai Huifu Technology Development Co., Ltd. (上海卉馥科技發展有限公司) ("Shanghai Huifu"), and (ii) the entire interests held by Concord Hospital Management Group Limited, which is wholly owned by Ascendium Group Limited. Shanghai Huifu is owned as to approximately 99% by Dr. Yang and as to approximately 1% by Mr. SHI Botao. Ascendium Group Limited is wholly owned by Concord Medical. As of the Latest Practicable Date, Dr. Yang, through his controlled entity, Morgancreek, is entitled to exercise approximately 73.2% of the voting rights at general meetings of Concord Medical. Ms. ZHANG Bi, the spouse of Dr. Yang, indirectly holds 70% of the equity interests in Morgancreek; and Dr. Yang is the sole director of Morgancreek, and as such Dr. Yang has the power to direct Morgancreek as to the voting and disposition of the shares held by Morgancreek in Concord Medical. Ms. ZHANG Bi, as the spouse of Dr. Yang, is deemed to be interested in Dr. Yang's entire interest.

(2) Shanghai Medstar is deemed to be interested in (i) the **[REDACTED]** Shares directly held by it, (ii) the **[REDACTED]** Shares held by Tianjin Concord, which is wholly owned by Shanghai Medstar, and (iii) the **[REDACTED]** Shares held by Shanghai Xinhe by holding 72.73% partnership interests in Shanghai Xinhe as a limited partner. Pursuant to the voting proxy arrangement, Shanghai Medstar is able

to exercise voting rights entrusted from the other signing parties (including Shanghai Guanyou, Changsheng Assets, Lanhai Youfang and Ms. TIAN Yuan) and are therefore deemed to be interested in the shareholding interest in our Company held by the other signing parties by virtue of the SFO. See "History, Development and Corporate Structure—Voting Proxy Arrangement" for details.

(3) Concord Hospital Management Group Limited is deemed to be interested in the **[REDACTED]** Shares held by Beijing Concord, which is wholly owned by Concord Hospital Management Group Limited.

(4) CICC Jiatai is a limited partnership established in the PRC and the general partner of which is CICC Capital Management Co., Ltd. (中金資本運營有限公司), a wholly-owned subsidiary of China International Capital Corporation Limited, which is a company listed on the Shanghai Stock Exchange (stock code: 601995) and Stock Exchange (stock code: 3908). Central Huijin Investment Ltd. (中央匯金投資有限責任公司) is deemed to be interested in the entire interest held by China International Capital Corporation Limited for the purpose of the SFO.

(5) Ningbo Xinyu is a limited liability company established in the PRC and is a wholly-owned subsidiary of CITIC Industrial Investment Group Corp., Ltd., which is in turn wholly owned by CITIC Corporation Limited. CITIC Corporation Limited is wholly owned by CITIC Limited, a company listed on the Stock Exchange (stock code: 0267), which is in turn owned as to 32.53% by CITIC Polaris Limited and as to 25.60% by CITIC Glory Limited. Each of CITIC Polaris Limited and CITIC Glory Limited is wholly owned by CITIC Group Corporation Limited.

(6) Gefei Yunnuo is a limited partnership established in the PRC and the general partner of which is Wuhu Gopher Asset Management Co., Ltd., a wholly-owned subsidiary of Gopher Asset Management Co., Ltd., which is in turn wholly owned by Shanghai Noah Investment Management Co., Ltd. Shanghai Noah Investment Management Co., Ltd. is controlled by Noah Holdings Limited, a company listed on the Stock Exchange (stock code: 6686) and the New York Stock Exchange (symbol: NOAH).

(7) Wuhu Juncheng Investment Center (Limited Partnership) is deemed to be interested in the entire interests held by Gefei Yunnuo by holding 43.6009% partnership interests as a limited partner in Gefei Yunnuo. Each of Shanghai Jingmu Enterprise Management Co., Ltd. and Shanghai Jingmu Investment Management Co., Ltd. owns 50% of the partnership interests in Wuhu Juncheng Investment Center (Limited Partnership). Shanghai Jingmu Enterprise Management Co., Ltd. is wholly owned by Shanghai Jingmu Investment Management Co., Ltd.; and Shanghai Jingmu Investment Management Co., Ltd. is wholly owned by Shanghai Taiming Asset Management Co., Ltd., which is in turn wholly owned by TAN Wenhong.

(8) CSPC NBP is a company established in the PRC with limited liability and is a wholly-owned subsidiary of CSPC Pharmaceutical Group Limited, which is a company listed on the Stock Exchange (stock code: 1093).

(9) WisdoMont Asset Management (Shanghai) Co., Ltd. is the general partner of Jiaxing Shengshi, Suzhou Juepu and Lanhai Youfang, and also controls the general partner of Shengshan Huiying. Accordingly, WisdoMont Asset Management (Shanghai) Co., Ltd. is deemed to be interested in the entire interests held by Jiaxing Shengshi, Suzhou Juepu, Lanhai Youfang and Shengshan Huiying. WisdoMont Asset Management (Shanghai) Co., Ltd. is owned as to 51% by GAN Shixiong (甘世雄).

(10) The general partner of Shanghai Guanyou is GUO jinchun (郭錦春). Shanghai Epu Supply Chain Technology Co., Ltd. is deemed to be interested in the entire interests held by Shanghai Guanyou by holding 31.50% partnership interests as a limited partner in Shanghai Guanyou.

(11) Changsheng Assets is deemed to be interested in the entire interests held by Lanhai Youfang by holding 88.44% partnership interests as a limited partner in Lanhai Youfang. Changsheng Assets is owned as to 80% by Inner Mongolia Qingyuan Holding Enterprise Management Center (Limited partnership) (內蒙古慶源持股企業管理中心（有限合夥）), the general partner of which is Deriger (Shanghai) Consulting Management Center (德力格爾（上海）諮詢管理中心), a sole proprietorship enterprise owned by Deliger Batu (德力格爾巴圖).

Save as disclosed above and in the section headed "Appendix V — Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders," our Directors are not aware of any persons who will, immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not **[REDACTED]**), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, 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 our Company or any member of our Group.

This section presents certain information regarding our share capital before and upon completion of the **[REDACTED]**.

## BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB676,918,216 divided into 676,918,216 Domestic Shares with a nominal value of RMB1.00 each.

## UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not **[REDACTED]**, our Company's registered share capital will be as follows:

| Description of Shares | Number of Shares | Approximate percentage of total share capital |
|---|---|---|
| Domestic Shares | [REDACTED] | [REDACTED]% |
| H Shares to be converted from Domestic Shares | [REDACTED] | [REDACTED]% |
| [REDACTED] to be [REDACTED] under the [REDACTED] | [REDACTED] | [REDACTED]% |
| **Total** | [REDACTED] | **100%** |

Immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is **[REDACTED]** in full, our Company's registered share capital will be as follows:

| Description of Shares | Number of Shares | Approximate percentage of total share capital |
|---|---|---|
| Domestic Shares | [REDACTED] | [REDACTED]% |
| H Shares to be converted from Domestic Shares | [REDACTED] | [REDACTED]% |
| [REDACTED] to be [REDACTED] under the [REDACTED] | [REDACTED] | [REDACTED]% |
| **Total** | [REDACTED] | **100%** |

## OUR SHARES

Upon the completion of **[REDACTED]**, the Shares of our Company will consist of Domestic Shares and H Shares. The H Shares in issue following the completion of the **[REDACTED]** and the Domestic Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. H Shares may only be **[REDACTED]** for and **[REDACTED]** in Hong Kong dollars. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be **[REDACTED]** for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can be **[REDACTED]** for by and traded in RMB between legal or natural persons of the PRC, qualified foreign institutional investors.

Except for the differences above, the Domestic Shares and the H Shares are regarded as one class of Shares under the Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. Dividends in respect of the our Shares may be paid by our Company in Hong Kong dollars or Renminbi.

## CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

### Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authorities, our Domestic Shares may be converted into H Shares, and such converted H Shares may be **[REDACTED]** or **[REDACTED]** on an overseas stock exchange provided that prior to the conversion and **[REDACTED]** of such converted Shares, the requisite internal approval processes have been duly completed and the approval from or filing with the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, **[REDACTED]** and **[REDACTED]** shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, **[REDACTED]** and **[REDACTED]** as H Shares on the Stock Exchange, such conversion, **[REDACTED]** and **[REDACTED]** will need to be filed with relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

### Mechanism and Procedures for Conversion

**[REDACTED]**

### Filing with the CSRC for Full Circulation

According to the Trial Measures promulgated by the CSRC, for an H-share listed company, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

In accordance with the Guidance of H-share Companies Applying for "Full Circulation" Business of Unlisted Shares in China (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, an H-share listed company may apply for a "full circulation" separately or when applying for refinancing overseas. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering.

**[REDACTED]**

## RESTRICTIONS ON TRANSFER OF SHARES

Under the PRC Company Law, Shares which have been in issue before we publicly issue Shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, Shares issued by our Company prior to the **[REDACTED]** shall be subject to this statutory restriction and not be transferred within a period of one year from the **[REDACTED]**.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are **[REDACTED]** and **[REDACTED]**, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

## GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, see our Articles of Association as summarized in the section headed "Appendix IV—Summary of Articles of Association" in this document.

*You should read the following discussion and analysis in conjunction with our consolidated financial statements, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this document. You should read the entire Accountants' Report in Appendix I to this document and not rely merely on the information contained in this section. The Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis 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, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-looking Statements" in this document.*

## OVERVIEW

We are an oncology healthcare service provider in China serving both cancer patients and third-party medical institutions, with a market share of 0.5% in terms of revenue in 2022 in the private oncology healthcare service market in China, according to the F&S Report.

We serve both cancer patients through our self-owned medical institutions and third-party medical institutions through our medical equipment, software and related services. In our self-owned medical institutions, we provide a full spectrum of oncology healthcare services to cancer patients across the entire care continuum, leveraging our MDT specialists and diagnosis and treatment capabilities featuring precision radiation therapy. As of the Latest Practicable Date, we had six self-owned medical institutions in operation located in Guangzhou, Shanghai and Datong, including two cancer hospitals, three outpatient centers or clinic and one imaging diagnosis center, and an internet hospital. We had one additional self-owned cancer hospital under construction in Shanghai, as of the same date. We expect our Guangzhou Hospital to commence the operation of its proton center and provide proton therapy services in 2024.

Through our medical equipment, software and related services launched since our inception in 2008, we serve a widespread network of enterprise customers, primarily hospitals, with integrated oncology-related services, including primarily sales and installing of medical equipment and software, management and technical support, and operating lease. Furthermore, we have integrated our online and offline medical resources into our cloud platforms to offer various cloud-based services. Our cloud platforms serve to improve the quality of oncology healthcare in lower-tier cities and alleviate the uneven distribution of critical healthcare resources in China. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we served 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services, respectively. The number of our enterprise customers increased significantly in 2021 as a result of an upgrade of our service capabilities and a step-up of our market education efforts. As of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease.

Our revenue increased significantly from RMB166.3 million in 2020 to RMB470.5 million in 2021. Our revenue increased by 0.4% from RMB470.5 million in 2021 to RMB472.2 million in 2022. Our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the six months ended June 30, 2023. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we had net loss of RMB591.3 million, RMB831.1 million, RMB637.2 million, RMB415.1 million and RMB214.3 million, respectively, representing net margin of negative 355.5%, negative 176.6%, negative 135.0%, negative 288.6% and negative 75.2%, respectively. In the same periods, we recorded adjusted net loss (non-HKFRS measure) of RMB318.7 million, RMB487.6 million, RMB471.2 million, RMB250.1 million and RMB214.0 million, respectively. See "—Non-HKFRS Measure" for a reconciliation of our net loss to adjusted net loss (non-HKFRS measure).

## KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

**Growth and Competitive Landscape of Our Industry**

Our financial performance, results of operations and future growth depend on the overall growth of and our competitiveness in the oncology healthcare service market and cancer treatment support market in China. According to the F&S Report, China had a large number of newly diagnosed cancer patients and cancer-related deaths in 2022, accounting for approximately 23.8% of the new cancer cases and 26.9% of the cancer-related deaths worldwide. However, China's oncology healthcare service is in the early stages of development facing challenges in the scarcity and uneven distribution of medical resources, resulting in patient overcrowding especially in public hospitals in first-tier cities. With the growing demand and improving access for cancer treatment, the market size of China's oncology healthcare service market, in terms of revenue, grew from RMB265.6 billion in 2016 to RMB495.1 billion in 2022, at a CAGR of 10.9%, and is expected to reach RMB768.7 billion in 2026, at a CAGR of 11.6% from 2022 to 2026.

We are the second largest service provider as measured by the revenue generated from cancer treatment support service in the market in 2022, according to the F&S Report. As healthcare resources are generally concentrated in major cities and in large public healthcare institutions in China, the quality of diagnosis, treatment and patient experience in lower-tier cities may not be guaranteed. An integrated healthcare solution, consisting of offline supply-chain and operational services as well as advanced cloud technology to facilitate remote diagnosis and treatment, are expected to tackle these challenges. However, the provision of such solution requires a combination of various healthcare resources, hardware, software and algorithms, resulting in an underdeveloped support service market, according to the F&S Report. As a result, the market size of China's cancer treatment support service market, in terms of revenue, grew from RMB4.9 billion in 2016 to RMB7.0 billion in 2022, at a CAGR of 6.2%, and is expected to reach RMB9.7 billion in 2026, at a CAGR of 8.6% from 2022 to 2026. Leveraging our market leadership, we believe that we are well positioned to capture the significant opportunities in this underserved market.

We are among a handful of oncology healthcare groups that are early adopters of precision radiation therapy in China, according to the F&S Report. Our patient-oriented medical care and rich resources of medical technology are the key drivers of our continued success. While we believe we retain significant leadership and early-mover advantages in the relevant markets, we face competition from multi-national and domestic companies on the basis of numerous factors, including among others, service quality, advancement in therapy and medical technology, availability and cost of supply, marketing and sales capabilities, reimbursement coverage, service price, and patent position. Our ability to continuously adopt the latest technological improvements quickly and cost-effectively has a direct effect on our results of operations and financial condition. In particular, as we generate a considerable portion of revenue from radiotherapy-related services and are in the process of constructing proton centers, we are subject to the risk that potentially revolutionary technological and therapeutic changes could reduce the demand or even eliminate the need for radiotherapy, which may materially and adversely affect our business, results of operations and financial condition.

**Expansion of Our Hospital Business**

We have expanded our self-owned medical institutions by new establishments and acquisitions. As of the Latest Practicable Date, we had six self-owned medical institutions and an internet hospital in operation in China. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue generated from our hospital business was RMB83.5 million, RMB161.2 million, RMB218.4 million, RMB83.0 million and RMB159.3 million, respectively, representing 50.2%, 34.3%, 46.3%, 57.7% and 55.8% of our revenue for the same periods, respectively. A new hospital generally achieves normal operation in a few months, during which time their operating efficiency may be lower than that of existing medical institutions and is expected to experience faster growth afterwards. We also incur substantial expenses before new medical institutions become operational, including construction and renovation costs, staff costs, and equipment costs, which could have a short-term negative impact on our liquidity and profitability. Monthly breakeven of a new medical institution is reached when it begins to record monthly net profit. It generally takes years for a self-established hospital to achieve monthly breakeven. The breakeven periods may be further affected by the specific characteristics of a medical institution, such as the size, the initial investment, the coverage of services and the competitive landscape. Our progress in opening new medical institutions from period to period may also occur at an uneven rate. As a result, our profitability may fluctuate from period to period.

We intend to continuously upgrade our existing medical institutions and establish new medical institutions. In particular, we are in the process of building Shanghai Hospital, which is expected to become operational in

January 2026, and plan to commence the construction of the phase II expansion to Guangzhou Hospital in 2026. See "Business—Our Future Expansion." Expansion of our self-owned medical institutions will continue to increase our revenue base and create additional network effects and synergies. However, our ability to establish and manage these additional hospitals in a cost-effective manner determines whether and how quickly we can recoup our investment, and may materially affect our revenue and profitability.

**Ability to Develop Our Medical Equipment, Software and Related Services**

We serve a widespread network of enterprise customers, especially hospitals in lower-tier cities outside the footprint of our self-owned facilities, with integrated oncology-related services. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we served 29, 88, 77, 42 and 47 enterprise customers under our medical equipment, software and related services, respectively. In particular, as of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease. Our ability to expand our network of enterprise customers affects our results of operations and financial condition.

For our medical equipment, software and related services, we recognize revenue from the provision of medical equipment and software, management and technical support and operating lease services. For our sales and installing of medical equipment and software offered, we typically charge a fixed down payment for our medical equipment and cloud platforms. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue generated from sales and installing of medical equipment and software was RMB26.1 million, RMB217.6 million, RMB179.2 million, RMB27.1 million and RMB104.3 million, respectively, representing 15.7%, 46.2%, 37.9%, 18.9% and 36.6% of our revenue for the same periods, respectively. For our management and technical support services offered, we receive either a fixed fee, an amount based on fixed unit price and purchase volume, or a contracted percentage of the revenue net of specified operating expenses of the partnered hospitals' departments that enjoyed our services. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue generated from management and technical support services was RMB37.2 million, RMB64.6 million, RMB53.1 million, RMB22.5 million and RMB12.0 million, respectively, representing 22.3%, 13.7%, 11.2%, 15.6% and 4.2% of our revenue for the same periods, respectively. We have been, and will continue, switching our management and technical support services from offline to our online cloud platforms, primarily including Jiahe Cloud Asset Management Platform, in providing one-stop supply-chain management services with improved efficiency and reduced costs. In addition, we will continue to expand our asset-light business model under our medical equipment, software and related services by upgrading our present cloud platforms based on customer demands through technological innovation and added service functionalities to our integrated cloud platforms. We will continue to offer medical equipment and comprehensive online technical support and equipment management services to enhance the overall medical capability of our enterprise customers. As our cloud platforms continue to evolve, we expect to connect our oncology diagnosis and treatment services with more medical institutions and patients in lower-tier cities, which will also allow us to enhance our brand awareness. For our operating lease services, we facilitate our partnered hospitals in establishing or developing oncology healthcare service by leasing medical equipment to them for a fixed period and providing comprehensive support services. We receive a fixed service fee or a contracted percentage of the revenue net of specified operating expenses of the partnered hospitals regarding their usage of such equipment. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our revenue generated from operating lease was RMB19.5 million, RMB27.2 million, RMB21.5 million, RMB11.2 million and RMB9.6 million, respectively, representing 11.8%, 5.8%, 4.6%, 7.8% and 3.4% of our revenue for the same periods, respectively. For the arrangement that we receive a contracted percentage of the revenues, if the specified operating expenses were to exceed the revenues of the partnered hospital's department, we would not collect any revenues from such partnered hospital. As a result, our ability to negotiate a higher contracted percentage and our ability to contain operating expenses will significantly affect our revenues and profitability.

**Patient Visits and Average Spending under Our Hospital Business**

Increasing the number of patient cases served in our medical institutions and average spending per patient visit are important for our business growth. The number of patient cases is primarily driven by reputation of our physicians, self-owned medical institutions, and partnered hospitals. There is also typically a ramp-up period for newly-opened medical institutions, during which time acceptance by patients of the resident physicians gradually pick up and the number of patient cases increase.

In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, the number of inpatient visits for our self-owned medical institutions was 491, 778, 2,999, 1,282 and 1,757, respectively, and the average spending per inpatient visit was RMB11,511.8, RMB11,820.9, RMB21,888.7, RMB20,582.5 and RMB24,146.6, respectively. For the same periods, the number of outpatient visits for our self-owned medical institutions was 27,713, 50,622, 63,119, 25,189 and 41,810, respectively, and the average spending per outpatient visit was RMB2,809.6, RMB3,001.5, RMB2,412.6, RMB2,239.9 and RMB2,794.4, respectively. During the Track Record Period, the number of our inpatient visits and outpatient visits and the average spending per inpatient visit continuously increased primarily due to the organic growth of our existing medical institutions and newly established ones that became operational and gradually ramped up during the relevant periods. Specifically, the increase in average spending per inpatient visit during the Track Record Period was primarily due to (1) the commencement of Guangzhou Hospital in 2021 since when it started to generate inpatient visits and contribute to the increase in our overall average inpatient spending from 2020 to 2021, and (2) the increase in average spending per inpatient visit for Guangzhou Hospital from RMB21,562.1 in 2021 to RMB25,599.9 in 2022 and RMB25,679.9 in the six months ended June 30, 2023, primarily as a result of the increased types of service offerings provided at Guangzhou Hospital as it gradually ramped up. The average spending per outpatient visit decreased from 2021 to 2022, primarily due to (1) the decrease in revenue generated from outpatient visits, primarily due to the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center which generally had higher average spending per outpatient visit, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai, and (2) the increase in outpatient visits in 2022 in Guangzhou Hospital, which generally had lower average spending per outpatient visit during the Track Record Period, as we gradually ramped up our medical institutions with growing patient visits. The average spending per patient visit depends on the prices of services, pharmaceuticals and medical consumables, all of which are subject to government regulation, including those applicable to Medical Insurance Designated Medical Institutions.

**Ability to Effectively Control Our Costs and Expenses**

Our ability to effectively control our cost of revenue and expenses while achieving expected business growth is critical to our profitability. Our cost of revenue consisted primarily of medical equipment and consumables costs, employee benefit expense and depreciation and amortization costs. Our cost of revenue was RMB159.0 million, RMB517.6 million, RMB614.8 million, RMB230.2 million and RMB320.2 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 95.6%, 110.0%, 130.2%, 160.1% and 112.3% of our revenue for the same periods, respectively. Cost of medical equipment and software, cost of pharmaceuticals, consumables and other inventories, and depreciation and amortization expense associated with the medical equipment and consumables that we purchase and use under our hospital business or further distribute under our medical equipment, software and related services represents a significant portion of our cost of revenue. Our ability to reduce the price of medical equipment and consumables purchased, thereby reducing the depreciation expense associated with the medical equipment and consumables purchased, will increase our profitability. We recorded significant increase in employee benefit expenses from 2020 to 2022, primarily in connection with the staffing preparation for our newly commenced medical institutions, primarily including Shanghai Imaging Center which commenced full operation in 2020 and Guangzhou Hospital opened in 2021. Considering the high demand for talents in the field of precision radiation therapy services where relevant skill and experience is scarce, we recruited in advance many key medical professionals and management personnel for precision radiation therapy, especially proton therapy, related services to be carried out for our Guangzhou Hospital. We expect such core team of medical professionals and management personnel to conduct multi-site practice to also support the operation of our Shanghai Hospital upon commencement, especially its proton center. Despite such arrangement, Shanghai Hospital may still incur substantial employee benefit expenses at a similar level of Guangzhou Hospital, or record negative gross margin to a lesser extent compared with Guangzhou Hospital, during its ramp-up period. To effectively control the cost of revenue and expenses while achieving expected growth for our Shanghai Hospital, we will also (1) optimize its organization and staffing structure, design the employee salary to match their work performance, and train more young employees instead of having unnecessary high-paid senior positions; (2) leverage our accumulated patient base to gain pricing advantage for procuring pharmaceuticals and medical consumables; and (3) utilize our brand influence and market recognition established through our years of operation of Shanghai Outpatient Center and Shanghai Imaging Center to attract patients and accelerate the business growth of Shanghai Hospital upon commencement. We also do not expect significant increase in the staffing for our medical professionals and other supporting staff at established medical institutions after they become operational. Accordingly, we expect our employee benefit expenses to remain generally stable despite the increase in patient visits at our medical institutions in operation.

In addition, our business and results of operations are significantly affected by our operating expense structure, which primarily comprised selling and distribution expenses, administrative expenses, and research and development expenses, during the Track Record Period. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we incurred selling and distribution expenses of RMB21.0 million, RMB50.3 million, RMB60.9 million, RMB25.9 million and RMB26.4 million, respectively, accounting for 12.7%, 10.7%, 12.9%, 18.0% and 9.2% of our revenue in the same periods, respectively. Our selling and distribution expenses increased significantly from 2020 to 2021, primarily due to a step-up in our market education efforts to promote our medical equipment, software and related services and an increase in sales and traveling activities upon the effective containment of the COVID-19 pandemic in 2021. As we expect to ramp up our Guangzhou Hospital, build more medical institutions, and further promote our medical equipment, software and related services, we expect to increase our sales and marketing activities and expand our sales and marketing team, and our selling and distribution expenses will increase as a result. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we incurred administrative expenses of RMB237.5 million, RMB255.3 million, RMB213.1 million, RMB100.4 million and RMB93.8 million, respectively, accounting for 142.8%, 54.3%, 45.1%, 69.8% and 32.8% of our revenue in the same periods, respectively. We expect to maintain our administrative expenses at reasonable level in the future along with our business growth and expansion. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we incurred research and development expenses of RMB11.3 million, RMB40.4 million, RMB41.3 million, RMB17.7 million and RMB18.5 million, respectively, accounting for 6.8%, 8.6%, 8.8%, 12.3% and 6.5% of our revenue in the same periods, respectively. We expect that our research and development expenses will continue to increase as we convert scientific research and training achievements into clinical applications.

**Our Capital Structure**

We have historically used short-term and long-term borrowings to fund our business operation and capital expenditures. As of December 31, 2020, 2021, 2022 and the six months ended June 30, 2023, we had bank and other borrowings of RMB1,964.3 million, RMB2,219.6 million, RMB2,391.5 million and RMB2,417.9 million, respectively. Our bank and other borrowings increased during the Track Record Period, primarily due to the increased capital expenditures used for the expansion of our hospital business, including the construction of medical institutions and purchase and upgrading of our medical equipment. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our finance costs for interest charge on bank and other borrowings was RMB35.4 million, RMB75.8 million, RMB94.9 million, RMB50.6 million and RMB47.3 million, respectively, representing 21.2%, 16.1%, 20.1%, 35.2% and 16.6% of our revenue for the same periods, respectively. Our finance costs for interest charge on bank and other borrowings generally increased during the Track Record Period, in tandem with our increased bank and other borrowings used for the expansion of our hospital business. As of December 31, 2020, 2021, 2022 and June 30, 2023, and our current ratio was 0.21, 0.20, 0.84 and 0.83, respectively. See "—Key Financial Ratios." If we encounter difficulties in generating sufficient cash to repay our outstanding indebtedness, our liquidity, business, results of operations and financial condition may be materially and adversely affected, and we may not be able to expand our business.

After the completion of the **[REDACTED]**, our primary cash needs will continue to be for working capital, capital expenditures and other discretionary investments. Our focus will be on the continued prudent management and reduction of our debt balances.

**Impact from COVID-19 and Other Pandemics**

Our business and results of operations depend on our ability to effectively deal with outbreak of health pandemics, natural disasters and other extraordinary events. For instance, the outbreak of COVID-19 has affected China and many other parts of the world. The COVID-19 pandemic resulted in temporary closures of many corporate offices, healthcare institutions, manufacturing facilities and factories. As a result of the regional resurgence of COVID-19, our Shanghai Imaging Center and Shanghai GP Clinic temporarily closed from April 2022 to May 2022, and our Shanghai Outpatient Center temporarily closed from April 2022 to June 2022. In addition, our Datong Hospital also temporarily closed from February 2020 to March 2020 and experienced decrease in patient visits and difficulties for employees to work on-site in October and November 2022 during the regional COVID-19 resurgence in Datong city. We experienced difficulties managing the daily operation of such medical institutions as a result of the temporarily closure amid the COVID-19 pandemic. Moreover, the construction projects of our Shanghai Hospital and Guangzhou Hospital were to some extent delayed due to the postponement of construction activities caused by the COVID-19 pandemic. Although patients who are not in severe conditions may reduce their inpatient visits during the COVID-19 pandemic, we expect the demand of oncology healthcare services would restore in the long term because the COVID-19 pandemic merely delayed such demand in a short term rather than eliminate the patients' needs for oncology healthcare services. We have also experienced certain negative impact of COVID-19 pandemic on our medical equipment, software and related services, primarily including (1) the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022, and (2) reduced offline marketing activities amid the regional COVID-19 resurgence, especially in Shanghai. If the impact of COVID-19, including subsequent outbreaks driven by new variants, is prolonged or further escalate, additional or even all of our operations could be disrupted or even temporarily suspended.

Although our hospital business was adversely impacted by the COVID-19 pandemic, such pandemic has boosted the market demand for remote medical service, leading to the positive effect on our medical equipment, software and related services. In particular, local governments have increased their financial support for and investment in the medical equipment and software in public hospitals in response to the shortened medical supply during the pandemic, creating more demands for our business. In the backdrop of the COVID-19 pandemic, we also launched our cloud platforms and Internet Hospital to offer various digital medical services to our enterprise customers and individual patients.

Although there is still considerable uncertainty as to the longer-term effects of the COVID-19 pandemic, we currently do not anticipate any material deviation from our development and expansion plans due to the COVID-19 pandemic. We cannot predict whether or when the impact from COVID-19 pandemic will be eradicated, and our business operations could also be adversely affected by other public health threats or pandemics. See "—COVID-19 Pandemic and Effects on Our Business" for the impact of COVID-19 pandemic on our business and "Risk Factors—Risks Relating to Our Business and Industry—Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, such as the COVID-19 pandemic, could prevent our medical institutions from effectively serving their patients and thus adversely affect our results of operations" for the associated risks and challenges.

**Seasonality**

As many cancer patients do not need to receive diagnosis or treatment urgently, our self-owned medical institutions and our partnered hospitals are subjected to seasonality of patient traffic. The first quarter of a calendar year usually sees fewest patient visits, both inpatient and outpatient, mainly due to the Chinese New Year. The fourth quarter is usually the busiest quarter during the year, as most patients, especially patients from the rural areas, will have more free time to visit hospitals. Our partnered hospitals are subjected to seasonality of patient traffic as well. There is also a concentration of revenue generated from our sales and installing of medical equipment and software in the fourth quarter, primarily because most of the hospitals generally receive financial appropriations and make procurement budget plans for medical equipment in the fourth quarter. According to the F&S Report, such sales pattern is in line with industry norm. As a result, we may experience fluctuations in our financial performance on a quarterly basis.

## BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with accounting policies which conform the HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our historical financial information also complies with the applicable disclosure requirement of the Listing Rules.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to our Group and became effective during the Track Record Period. For the purpose of preparing and presenting the historical financial information for the Track Record Period, our Group has adopted all new and amended HKFRSs that are effective during the Track Record Period and has applied them consistently throughout the Track Record Period. See Note 2 and Note 3 to the Accountants' Report in Appendix I to this document.

## SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for understanding our results of operations and financial condition, are set forth in Note 3 and Note 4 to the Accountants' Report in Appendix I to this document. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions.

**Revenue Recognition**

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or 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 or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

During the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023, we operate two types of business: (1) hospital business and (2) medical equipment, software and related services. Revenue is measured at the consideration received or receivable for the goods or services in the ordinary course of our activities. Revenue is shown, net of discounts and after eliminating sales among our subsidiaries. We recognize revenue when we transfer control of the goods or services to a customer.

***Revenue from Hospital Business***

Hospital revenue represents medical service income generated from medical institutions under outpatient and inpatient services.

Medical service income include revenue generated from outpatients, such as activities for physical examinations, treatments, surgeries and tests, which are recognized when services are provided.

Revenue generated from inpatients, such as activities for clinical examinations and treatments, surgeries, and other fees such as room charges and nursing care, are recognized over time during hospitalization when customers simultaneously receives the services and consumes the benefits provided by our performance as we perform.

***Revenue from Medical Equipment, Software and Related Services***

*Management and technical support*

We provide management and technical support service to hospitals and radiotherapy centers over the service period, which usually lasts for eight to 20 years. The hospital receives and consumes the benefits provided by our performance as we perform. We use a time-based measure of progress. Revenue from provision of management and technical support is recognized over the period in which the services are rendered.

For revenue from management and technical support services, service fee is calculated based on pre-set formulas set out in the arrangements, which primarily relating to the hospitals and radiotherapy centers' revenue.

*Operating lease income*

We lease radiotherapy equipment to certain hospitals and radiotherapy centers under lease agreements. Such leases are negotiated with lease term of eight to 20 years. The consideration is either fixed or calculated based on pre-set formulas set out in the arrangements, which primarily relates to the hospitals and radiotherapy centers' revenue.

We have also entered into cooperation agreements with certain hospitals and radiotherapy centers for lease of radiotherapy equipment and provision of management and technical support. The consideration is calculated based on pre-set formulas set out in the arrangements, which primarily relates to the hospitals and radiotherapy centers' revenue.

We have allocated the lease component and non-lease component on a relative stand-alone selling price basis.

*Sales and installing of medical equipment and software*

Revenue from the sales and installing of medical equipment and software is recognized when control of the radiotherapy equipment, software or medical consumables has been transferred, being when the radiotherapy equipment or software is installed and accepted by the customers, or when medical consumables are accepted by the customers. We have contracts with customers for sales of radiotherapy equipment, software or medical consumables and arrangement for sales. Under the contracts for arrangement for sales of equipment, we acquire, on customers' behalf, specific equipment from designated suppliers. We provide procurement services (i.e., coordinating with suppliers and managing the equipment ordering and delivery).

Determining whether such revenue should be reported gross or net is based on a continuing assessment of various factors. We need to first identify who controls the equipment before they are transferred to customers.

Under both the direct sales model and distributorship model, our revenue generated from the sale of medical equipment is recognized when control of the medical equipment has been transferred, while the equipment is installed and accepted by the customers.

We are a principal if we obtain control of the equipment from third parties that we then transfer to the customer. There are indicators that we are a principal, when we are primarily obligated in a transaction, are subject to inventory risk, have latitude in establishing prices and selecting suppliers. Under these arrangements, our revenue generated from the sales of medical equipment is recognized on a gross basis in the consolidated statement of profit or loss.

We are an agent if we do not obtain control of the equipment before it is being transferred to the customer. There are indicators that we are an agent, when the equipment is directly transferred from the suppliers' warehouse to the customer's destination, and we borne no inventory risk. Under these arrangements, our revenue generated from the sales of medical equipment is recognized on a net basis in the consolidated statement of profit or loss.

**Property, plant and equipment**

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|---|---|
| Buildings | Shorter of the term of remaining title to the land and useful life |
| Medical equipment | Five – 20 years |
| Electronic and office equipment | Three – five years |
| Motor vehicles | Five years |
| Leasehold improvement | Shorter of the unexpired lease terms and useful lives |

Construction in progress represents buildings under construction and is stated at cost less impairment losses, if any. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

**Goodwill**

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as of the acquisition date.

Where the fair value of identifiable assets and liabilities exceeds the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognized in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

**Intangible Assets (Other Than Goodwill)**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested impairment annually, irrespective of whether there is any indication that that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts. The amortization expense is recognized in profit or loss and included in administrative expenses.

| | |
|---|---|
| Operating license | 20 years |
| Customer relationship | Five – 16 years |
| Software | Three – five years |
| Customer contracts | Two – three years |
| Patents and technology | 10 years |

Our Group determines the estimated useful lives and consequently the related amortization charges for its operating license, customer relationship, and patents and technology. Our management determines the estimated useful life and related amortization charges of the operating license based on the historical renewal experience of operating licenses of similar nature, and considering the current market environment in the PRC and estimations of future changes. Our management determines the estimated useful life and related amortization charges of the customer relationship based on the contract terms of the existing operation lease contracts with existing customers. Our management determines the estimated useful life and related amortization charges of the patents and technology by considering the duration of patent right and protection period of copyright, the current market environment in the PRC and estimations of future changes and with reference to the estimated periods that our Group intends to derive future economic benefits from the use of patents and technology. Our management will increase the amortization charges where useful lives are less than previously estimated lives, it will write off or write down technically obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expenses in future years.

Development in progress represents software under construction and is stated at cost less impairment losses, if any. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of intangible assets when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

**Impairment Assessment**

The goodwill has been tested for impairment by our management. The recoverable amount of each cash generating unit ("CGU") has been assessed by an independent valuer, Asia-Pacific Consulting and Appraisal Limited, and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budget covering period of five to 12 years approved by our management with pre-tax discount rates of ranging from 16.8% to 21.5%, 16.8% to 18.8%, 17.0% to 19.5% and 15.7% to 19.5% as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The discount rate as of December 31, 2020, 2021, 2022 and June 30, 2023 have been reassessed taking into consideration of the higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve. The discount rate was derived from capital asset pricing model by considering different market data and company specific risk.

For the purposes of impairment testing, goodwill has been allocated to the Company's CGUs as follows.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | | (RMB in thousands) | | |
| Guangzhou Concord | 2,613 | 2,613 | 2,613 | 2,613 |
| Shanghai Imaging Center | 41,998 | 41,998 | 41,998 | 41,998 |
| Beijing Healthingkon | N/A | 368,221 | 368,221 | 368,221 |
| Shanghai Outpatient Center | 98,944 | 98,944 | 98,944 | 98,944 |
| Beijing Century Friendship | 31,820 | N/A | N/A | N/A |
| **Total** | **175,375** | **511,776** | **511,776** | **511,776** |

The following table sets forth each key assumptions on which our management has based its cash flow projections to undertake impairment testing of goodwill.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Guangzhou Concord CGU | | | | |
| Long-term growth rate | 3% | 3% | 3% | 3% |
| Pre-tax discount rate | 17.4% | 18.0% | 16.4% | 17.0% |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Shanghai Imaging Center CGU | | | | |
| Long-term growth rate | 3% | 3% | 3% | 3% |
| Pre-tax discount rate | 16.8% | 16.8% | 17.9% | 18.1% |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Beijing Healthingkon CGU | | | | |
| Long-term growth rate | N/A | 3% | 3% | 3% |
| Pre-tax discount rate | N/A | 18.8% | 19.5% | 19.5% |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Shanghai Outpatient Center CGU | | | | |
| Long-term growth rate | 3% | 3% | 3% | 3% |
| Pre-tax discount rate | 19.3% | 18.5% | 18.2% | 17.6% |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Beijing Century Friendship CGU | | | | |
| Long-term growth rate | 3% | N/A | N/A | N/A |
| Pre-tax discount rate | 21.5% | N/A | N/A | N/A |

Our management extended the five-year projections as suggested by HKAS 36 Impairment of Assets for additional seven year projections based on the consideration that, based on past experience and the useful life of the operating licenses and technology, the additional periods would reflect the expected pattern of consumption of the assets. Certain CGUs with projections exceeding five years are still at an early stage of development. Our management believes that the extended cash flow projection captures the development stage of our Group's business during which our Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by us. Our management leveraged their extensive experiences of over 15 years in the healthcare service industry, and provided forecast for an extended period based on the past performance and their expectation of future business plans and market developments. These provide a reasonable basis for management to forecast cash flows reliably over a longer period. Cash flows beyond the projection period are extrapolated using an estimated long term growth rate of 3%, with reference to certain external data. This rate does not exceed the average long-term growth rate for the relevant markets for all CGUs during the Track Record Period.

Based on the result of the assessment, we determined that the recoverable amounts of all CGU are higher than the corresponding carrying amounts as of December 31, 2020, 2021, 2022 and June 30, 2023. Therefore, no impairment loss was recognized in 2020, 2021, 2022 and the six months ended June 30, 2023. We performed sensitivity test by increasing 0.5% and 1% of pre-tax discount rate or decreasing 0.5% and 1% of long-term growth rate, which are the key assumptions for determining the recoverable amount of the CGU, with all other variables held constant.

The following table sets forth the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of each CGU as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **For Guangzhou Concord CGU** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 3,610 | 24,378 | 11,195 | 2,530 |
| 1.0% | 2,422 | 22,703 | 9,656 | 1,418 |
| Pre-tax discount rate increase | | | | |
| 0.5% | 2,445 | 23,743 | 10,800 | 2,148 |
| 1.0% | 180 | 21,458 | 8,887 | 679 |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **For Shanghai Imaging Center CGU** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 112,270 | 237,129 | 74,183 | 138,224 |
| 1.0% | 106,662 | 229,694 | 63,019 | 127,945 |
| Pre-tax discount rate increase | | | | |
| 0.5% | 97,343 | 223,040 | 71,292 | 135,131 |
| 1.0% | 77,712 | 202,254 | 57,277 | 121,805 |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **For Beijing Healthingkon CGU** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | N/A | 47,832 | 60,977 | 92,252 |
| 1.0% | N/A | 38,344 | 46,469 | 76,492 |
| Pre-tax discount rate increase | | | | |
| 0.5% | N/A | 89,846 | 39,455 | 70,868 |
| 1.0% | N/A | 124,071 | 5,155 | 35,436 |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **For Shanghai Outpatient Center CGU** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 23,900 | 118,558 | 18,059 | 26,032 |
| 1.0% | 14,677 | 105,663 | 7,800 | 16,138 |
| Pre-tax discount rate increase | | | | |
| 0.5% | 19,565 | 115,718 | 15,059 | 22,502 |
| 1.0% | 6,187 | 99,975 | 1,864 | 9,185 |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **For Beijing Century Friendship CGU** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 128,142 | N/A | N/A | N/A |
| 1.0% | 107,904 | N/A | N/A | N/A |
| Pre-tax discount rate increase | | | | |
| 0.5% | 120,274 | N/A | N/A | N/A |
| 1.0% | 92,618 | N/A | N/A | N/A |

The following table sets forth the surplus of recoverable amounts of the CGUs calculated based on VIU over their respective carrying value as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Guangzhou Concord | 4,890 | 26,193 | 12,862 | 3,739 |
| Shanghai Imaging Center | 118,309 | 245,184 | 86,277 | 149,361 |
| Beijing Healthingkon | N/A | 57,953 | 76,452 | 109,062 |
| Shanghai Outpatient Center | 33,831 | 132,528 | 29,172 | 36,786 |
| Beijing Century Friendship | 149,730 | N/A | N/A | N/A |

Based on the sensitivity test performed, no impairment issue was noted throughout the Track record Period. The headroom of each CGU that was subject to impairment assessment at the end of each reporting period is not less than 9.5% of the respective carrying amount during the Track Record Period. We believe that any reasonably possible change in these assumptions on which the recoverable amount is based would not cause the carrying amount of each CGU to exceed its recoverable amount.

### Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

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

### Leases

#### *Our Company as Lessee*

We lease various equipment and properties and land use rights either as our offices or to provide service. Rental contracts are typically made for a fixed period of one to 50 years. 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.

*Right-of-use assets*

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by us. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

We recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. We present the carrying amounts of right-of-use assets as a separate line item on the consolidated statement of financial position.

*Lease liabilities*

At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for terminating the lease, if the lease term reflects our exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

We have elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

***Our Company as Lessor***

We have leased out certain medical equipment to medical institutions. Lease classification is made at the inception date and is reassessed only if there is a lease modification. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. If there are variable lease payments and as a result of which the lessor does not transfer substantially all such risks and rewards, it would be an operating lease.

Lease income from operating leases where we are a lessor is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on the straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Revenue** | 166,321 | 100.0 | 470,505 | 100.0 | 472,170 | 100.0 | 143,810 | 100.0 | 285,179 | 100.0 |
| Cost of revenue | (158,967) | (95.6) | (517,646) | (110.0) | (614,783) | (130.2) | (230,172) | (160.0) | (320,151) | (112.3) |
| **Gross profit/(loss)** | 7,354 | 4.4 | (47,141) | (10.0) | (142,613) | (30.2) | (86,362) | (60.0) | (34,972) | (12.3) |
| Other income and other net gains/(losses) | (11,806) | (7.1) | (7,788) | (1.7) | 85,449 | 18.1 | 34,626 | 24.1 | 11,304 | 4.0 |
| Selling and distribution expenses | (21,045) | (12.7) | (50,292) | (10.7) | (60,883) | (12.9) | (25,856) | (18.0) | (26,361) | (9.2) |
| Administrative expenses | (237,498) | (142.8) | (255,265) | (54.3) | (213,117) | (45.1) | (100,396) | (69.8) | (93,760) | (32.8) |
| Research and development expenses | (11,273) | (6.8) | (40,381) | (8.6) | (41,316) | (8.8) | (17,656) | (12.3) | (18,518) | (6.5) |
| Share of associates' results | (68) | (0.0) | (159) | (0.0) | (215) | (0.0) | (100) | (0.1) | (1,219) | (0.4) |
| Finance costs | (323,473) | (194.5) | (435,311) | (92.5) | (274,475) | (58.1) | (222,457) | (154.7) | (54,859) | (19.2) |
| **Loss before income tax** | (597,809) | (359.4) | (836,337) | (177.8) | (647,170) | (137.1) | (418,201) | (290.8) | (218,385) | (76.5) |
| Income tax credit | 6,468 | 3.9 | 5,204 | 1.1 | 9,948 | 2.1 | 3,134 | 2.2 | 4,128 | 1.4 |
| **Loss for the year/period** | (591,341) | (355.5) | (831,133) | (176.6) | (637,222) | (135.0) | (415,067) | (288.6) | (214,257) | (75.1) |

## NON-HKFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also use adjusted net loss (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the non-HKFRS measure provides investors and management with greater visibility as to the underlying performance of our business operations and facilitates comparison of operating performance of other companies in our industry and of ourselves during different periods. However, our presentation of the non-HKFRS measure may not be comparable to similarly titled measures presented by other companies. The use of the non-HKFRS measure has limitations as analytical tools, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

We define adjusted net loss (non-HKFRS measure) as loss for the year/period adjusted by interest charge on redeemable capital contribution and **[REDACTED]** expenses. Our interest charge on redeemable capital contribution primarily represented interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements. Our redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, was primarily attributable to the special rights of the **[REDACTED]** Investors included in our financing arrangements, which were recorded as financial liabilities. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. See "History, Development and Corporate Structure—**[REDACTED]** Investments—Special Rights of **[REDACTED]** Investors." Our **[REDACTED]** expenses are expenses relating to our **[REDACTED]**. The following table reconciles our adjusted net loss (non-HKFRS measure) presented to the most directly comparable financial measure calculated and presented under HKFRSs.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | (RMB in thousands) | | | (Unaudited) | |
| **Loss for the year/period** | (591,341) | (831,133) | (637,222) | (415,067) | (214,257) |
| *Add:* | | | | | |
| Interest charge on redeemable capital contribution | 272,654 | 343,583 | 163,908 | 163,908 | — |
| **[REDACTED]** expenses | — | — | 2,109 | 1,055 | 224 |
| **Adjusted net loss (non-HKFRS measure)** | (318,687) | (487,550) | (471,205) | (250,104) | (214,033) |

## KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

### Revenue

During the Track Record Period, we generated revenue from our two business segments. Revenue from our hospital business represents our revenue from our self-owned medical institutions. Revenue from our medical equipment, software and related services represents our revenue from sales and installing of medical equipment and software, management and technical support, and operating lease.

#### *Revenue by Service Offerings*

In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue was RMB166.3 million, RMB470.5 million, RMB472.2 million, RMB143.8 million and RMB285.2 million, respectively. The following table sets forth a breakdown of our revenue by service offerings for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Hospital business** | 83,514 | 50.2 | 161,175 | 34.3 | 218,392 | 46.3 | 82,975 | 57.7 | 159,257 | 55.8 |
| Medical institutions | 83,514 | 50.2 | 161,175 | 34.3 | 218,392 | 46.3 | 82,975 | 57.7 | 159,257 | 55.8 |
| - Guangzhou Hospital(1) | — | — | 11,514 | 2.5 | 102,789 | 21.8 | 40,215 | 28.0 | 71,118 | 24.9 |
| - Guangzhou Outpatient Center | 75 | 0.0 | 1,610 | 0.3 | 7,856 | 1.7 | 3,983 | 2.8 | 1,670 | 0.6 |
| - Shanghai Outpatient Center | 53,247 | 32.0 | 87,702 | 18.7 | 58,264 | 12.3 | 20,367 | 14.2 | 45,671 | 16.0 |
| - Shanghai Imaging Center | 20,072 | 12.1 | 38,655 | 8.2 | 31,105 | 6.6 | 8,639 | 6.0 | 33,365 | 11.7 |
| - Shanghai GP Clinic | — | — | 1,044 | 0.2 | 767 | 0.2 | 292 | 0.2 | 912 | 0.3 |
| - Datong Hospital | 10,121 | 6.1 | 14,240 | 3.0 | 12,705 | 2.7 | 7,641 | 5.3 | 4,752 | 1.7 |
| - Datong Clinic(2) | — | — | 285 | 0.1 | 112 | 0.0 | 107 | 0.1 | — | — |
| - Internet Hospital | — | — | 6,126 | 1.3 | 4,794 | 1.0 | 1,731 | 1.2 | 1,769 | 0.6 |

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | | | | |
| | | | | | | | (Unaudited) | | | |
| **Medical equipment, software and related services** | 82,807 | 49.8 | 309,330 | 65.7 | 253,778 | 53.7 | 60,835 | 42.3 | 125,922 | 44.2 |
| Sales and installing of medical equipment and software | 26,129 | 15.7 | 217,568 | 46.2 | 179,152 | 37.9 | 27,120 | 18.9 | 104,301 | 36.6 |
| Management and technical support | 37,156 | 22.3 | 64,599 | 13.7 | 53,109 | 11.2 | 22,477 | 15.6 | 12,028 | 4.2 |
| Operating lease | 19,522 | 11.8 | 27,163 | 5.8 | 21,517 | 4.6 | 11,238 | 7.8 | 9,593 | 3.4 |
| **Total** | 166,321 | 100.0 | 470,505 | 100.0 | 472,170 | 100.0 | 143,810 | 100.0 | 285,179 | 100.0 |

(1) Include revenue generated from the provision of COVID-19 testing service of RMB36,000, RMB465,000, RMB167,000 and RMB5,000 in 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

(2) We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023.

*Hospital business*

Revenue generated from our medical institutions primarily consists of medical service income generated from our self-owned medical institutions. Revenue generated from our hospital business increased from RMB83.5 million in 2020 to RMB161.2 million in 2021, as we continued to grow our hospital business with the ramping up of our existing medical institutions and the opening of new medical institutions. Revenue generated from our hospital business increased from RMB161.2 million in 2021 to RMB218.4 million in 2022 primarily due to the ramping up of our existing medical institutions in 2022, especially Guangzhou Hospital which only started to generate revenue since June 2021, partially offset by the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai. As a percentage of revenue, revenue generated from our hospital business decreased from 50.2% in 2020 to 34.3% in 2021, primarily because of the rapid growth of our medical equipment, software and related services. As a percentage of revenue, revenue generated from our hospital business increased from 34.3% in 2021 to 46.3% in 2022, primarily due to the increased revenue contribution from hospital business resulting from the ramping up of our existing medical institutions in 2022, especially Guangzhou Hospital which only started to generate revenue since June 2021. Revenue generated from our hospital business increased from RMB83.0 million in the six months ended June 30, 2022 to RMB159.3 million in the six months ended June 30, 2023, as we continued to grow our hospital business with the ramping up of our existing medical institutions, especially Guangzhou Hospital and our medical institutions in Shanghai along with their business recovery from the impact of COVID-19 outbreaks.

During the Track Record Period, revenue generated from our Guangzhou Hospital, Shanghai Outpatient Center and Shanghai Imaging Center continuously increased as we gradually ramped up such medical institutions with growing patient visits and spending, except for a temporary decrease of revenue contribution from Shanghai Outpatient Center and Shanghai Imaging Center in 2022, primarily due to the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai. Revenue generated from our Guangzhou Outpatient Center decreased in the six months ended June 30, 2023 compared to the same period in 2022, primarily due to the decrease in average spending per outpatient visit because we adjusted the development strategy for Guangzhou Outpatient Center in 2023 to position it as a patient acquisition, reception, referral and post-treatment health management hub to complement the clinical services in Guangzhou Hospital to achieve better synergy among the two medical institutions along with the burgeoning of Guangzhou Hospital. Revenue generated from our Datong Hospital fluctuated during the Track Record Period, primarily due to the impact of COVID-19 pandemic in 2022, and the decreased patient visits in the six months ended June 30, 2023 as (1) we streamlined the staffing at Datong Hospital to optimize its organizational structure, leading to temporary staffing changes and decreased patient service capacity during such adjustments, and (2) Datong Hospital had limited comprehensive treatment capability and surgery expertise to attract patients facing the intensified local market competition, according to the F&S Report.

*Medical equipment, software and related services*

Revenue generated from our medical equipment, software and related services was RMB82.8 million in 2020, and increased significantly to RMB309.3 million in 2021 as we continued to upgrade our service capabilities and step up our market education efforts. Revenue generated from our medical equipment, software and related services decreased from RMB309.3 million in 2021 to RMB253.8 million in 2022, primarily due to the decrease in revenue generated from sales and installing of medical equipment and software, resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022. Revenue generated from our medical equipment, software and related services increased from RMB60.8 million in the six months ended June 30, 2022 to RMB125.9 million in the six months ended June 30, 2023, primarily due to the increase in revenue generated from sales and installing of medical equipment and software along with our business development and recovery from the impact of COVID-19 outbreaks.

Sales and installing of medical equipment and software

Revenue generated from sales and installing of medical equipment and software was RMB26.1 million, RMB217.6 million, RMB179.2 million, RMB27.1 million and RMB104.3 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 15.7%, 46.2%, 37.9%, 18.9% and 36.6% of our revenue for the same periods, respectively. The increase in both absolute amount and percentage of our revenue generated from sales and installing of medical equipment and software from 2020 to 2021 was primarily due to the growth of our sales and installing of medical equipment and software. The decrease in both absolute amount and percentage of our revenue generated from sales and installing of medical equipment and software in 2022 compared to 2021 was primarily resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022. The increase in both absolute amount and percentage of our revenue generated from sales and installing of medical equipment and software in the six months ended June 30, 2023 compared to the six months ended June 30, 2022, was primarily resulting from our business development and recovery from the impact of COVID-19 outbreaks as evidenced by an increase in the number of customers for our sales and installing of medical equipment and software from 13 to 19 in the same periods.

Management and technical support

Revenue generated from management and technical support was RMB37.2 million, RMB64.6 million, RMB53.1 million, RMB22.5 million and RMB12.0 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 22.3%, 13.7%, 11.2%, 15.6% and 4.2% of our revenue for the same periods, respectively. As a percentage of revenue, revenue generated from management and technical support decreased from 2020 to 2021, primarily due to the diversification of our medical equipment, software and related services. Our revenue generated from management and technical support decreased in 2022 compared to 2021, and the six months ended June 30, 2023 compared to the same period in 2022, primarily due to expiration of agreements with certain management and technical support customers in 2022.

Operating lease

Revenue generated from operating lease was RMB19.5 million, RMB27.2 million, RMB21.5 million, RMB11.2 million and RMB9.6 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 11.8%, 5.8%, 4.6%, 7.8% and 3.4% of our revenue for the same periods, respectively. As a percentage of revenue, revenue generated from operating lease decreased during the Track Record Period, primarily due to the diversification of our medical equipment, software and related services. The decrease in the absolute amount of our revenue generated from operating lease in 2022 compared to 2021 was primarily due to (1) the expiration of agreements with certain operating lease customers in 2022, and (2) a decrease in the revenue generated from our contracted percentage fee model with our partnered hospitals due to their limited service capacity and patient base amid the regional resurgence of COVID-19 in the same period, partially offset by the revenue generated from our new operating lease customers in 2022. The decrease in the absolute amount of our revenue generated from operating lease in the six months ended June 30, 2023 compared to the six months ended June 30, 2022 was primarily due to the expiration of agreements with certain operating lease customers in 2022.

***Revenue by Sales Channel***

During the Track Record Period, for our sales and installing of medical equipment and software, we have adopted both direct sales and sales to distributors. The following table sets forth a breakdown of our revenue generated from sales and installing of medical equipment and software by sales channel for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Sales and Installing of Medical Equipment and Software** | | | | | | | | | | |
| Sales to distributors | 22,140 | 84.7 | 138,595 | 63.7 | 115,857 | 64.7 | 24,322 | 89.7 | 98,199 | 94.1 |
| Direct sales to hospitals | 3,989 | 15.3 | 78,973 | 36.3 | 63,295 | 35.3 | 2,798 | 10.3 | 6,102 | 5.9 |
| **Total** | 26,129 | 100.0 | 217,568 | 100.0 | 179,152 | 100.0 | 27,120 | 100.0 | 104,301 | 100.0 |

### Cost of Revenue

Our cost of revenue primarily consists of (1) variable cost, primarily representing cost of medical equipment and software, cost of pharmaceuticals consumables and other inventories, utilities and office expenses, and (2) fixed cost, primarily representing employee benefit expenses, depreciation and amortization, and leasing, repair and maintenance. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our cost of revenue was RMB159.0 million, RMB517.6 million, RMB614.8 million, RMB230.2 million and RMB320.2 million, respectively, representing 95.6%, 110.0%, 130.2%, 160.0% and 112.3% of our revenue for the same periods, respectively. The following table sets forth a breakdown of our cost of revenue by nature for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Variable Cost** | | | | | | | | | | |
| Cost of medical equipment and software | 16,654 | 10.5 | 188,187 | 36.4 | 175,998 | 28.6 | 26,676 | 11.6 | 95,387 | 29.8 |
| Cost of pharmaceuticals, consumables and other inventories | 38,253 | 24.1 | 75,091 | 14.5 | 103,501 | 16.8 | 42,237 | 18.4 | 57,258 | 17.9 |
| Utilities and office expenses | 1,553 | 1.0 | 2,503 | 0.5 | 2,269 | 0.4 | 1,362 | 0.6 | 651 | 0.2 |
| Others[(1)] | 3,946 | 2.5 | 13,548 | 2.6 | 21,557 | 3.5 | 9,591 | 4.2 | 11,325 | 3.5 |
| **Sub-total** | 60,406 | 38.1 | 279,329 | 54.0 | 303,325 | 49.3 | 79,867 | 34.7 | 164,621 | 51.4 |
| **Fixed Cost** | | | | | | | | | | |
| Employee benefit expenses | 34,467 | 21.7 | 128,931 | 24.9 | 171,823 | 27.9 | 79,525 | 34.6 | 82,120 | 25.7 |
| Depreciation and amortization | 49,962 | 31.4 | 74,791 | 14.4 | 110,010 | 17.9 | 53,667 | 23.3 | 57,106 | 17.8 |
| Leasing, repair and maintenance | 14,131 | 8.9 | 34,595 | 6.7 | 29,625 | 4.8 | 17,114 | 7.4 | 16,304 | 5.1 |
| **Sub-total** | 98,560 | 62.0 | 238,317 | 46.0 | 311,458 | 50.7 | 150,305 | 65.3 | 155,530 | 48.6 |
| **Total** | 158,967 | 100.0 | 517,646 | 100.0 | 614,783 | 100.0 | 230,172 | 100.0 | 320,151 | 100.0 |

(1) Others primarily include tax and surcharges and other miscellaneous fees relating to hospital business.

Cost of medical equipment and software represents the cost of procuring medical equipment and software which we offer to our enterprise customers under our medical equipment, software and related services. Our cost of medical equipment and software as a percentage of our total cost of revenue increased from 2020 to 2021 and from the six months ended June 30, 2022 to the same period in 2023, primarily due to the growth of our sales and installing of medical equipment and software. Such percentage decreased from 2021 to 2022, primarily due to the less procurement of medical equipment and software along with the delay in logistics for delivery and supply of medical equipment as a result of less frequent transportation amid the regional resurgence of COVID-19 pandemic in 2022.

Employee benefit expenses represent the salaries, bonuses, pension and other social security and welfare of physicians, professional nurses and caretaking staff and other medical professionals at our medical institutions in operation. The significant increase in employee benefit expenses from 2020 to 2021 and further to 2022 was primarily in connection with the staffing preparation for and operation of Guangzhou Hospital. Considering the high demand for talents in the field of precision radiation therapy services where relevant skill and experience is scarce, we recruited in advance many key medical professionals and management personnel for precision radiation therapy, especially proton therapy, related services to be carried out for our Guangzhou Hospital. We expect such core team of medical professionals and management personnel to conduct multi-site practice to also support the operation of our Shanghai Hospital upon commencement, especially its proton center.

Cost of pharmaceuticals, consumables and other inventories represents the cost of procuring pharmaceuticals and medical consumables used by our medical institutions. Our cost of pharmaceuticals, consumables and other inventories as a percentage of our total cost of revenue decreased from 2020 to 2021, primarily because the increase in such cost was outpaced by the increases in cost of medical equipment and software and employee benefit expenses. Such percentage increased from 2021 to 2022 and from the six months ended June 30, 2022 to the same period in 2023, driven by the ramping up of our existing medical institutions and an increase in the number of patient visits.

Depreciation and amortization represents depreciation of medical equipment and properties used at hospital premises. The increase in depreciation and amortization during the Track Record Period was primarily related to the depreciation and amortization of medical equipment and properties used at our medical institutions, primarily including Guangzhou Hospital upon the opening in June 2021. Our depreciation and amortization as a percentage of our total cost of revenue decreased from 31.4% in 2020 to 14.4% in 2021, primarily because the increase in depreciation and amortization in 2021 was outpaced by the increases in cost of medical equipment and software and employee benefit expenses.

Leasing, repair and maintenance represents the leasing, repair and maintenance cost of our medical institutions in operation and the medical equipment under our medical equipment, software and related services. Our leasing, repair and maintenance as a percentage of our total cost of revenue decreased during the Track Record Period, primarily because the increase in leasing, repair and maintenance was outpaced by the increases in cost of medical equipment and software and employee benefit expenses.

Utilities and office expenses increased from 2020 to 2021, generally consistent with the opening of our medical institutions.

The following table sets forth a breakdown of our cost of revenue by service offerings for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | | | | |
| | | | | | | | (Unaudited) | | | |
| **Hospital business** | 123,149 | 77.5 | 276,189 | 53.4 | 391,026 | 63.6 | 178,879 | 78.1 | 202,977 | 63.4 |
| Medical institutions | 123,149 | 77.5 | 276,189 | 53.4 | 391,026 | 63.6 | 178,879 | 78.1 | 202,977 | 63.4 |
| - Guangzhou Hospital | — | — | 103,208 | 19.9 | 219,288 | 35.7 | 99,813 | 43.4 | 109,183 | 34.1 |
| - Guangzhou Outpatient Center | 3,312 | 2.1 | 10,831 | 2.1 | 18,758 | 3.1 | 9,455 | 4.1 | 6,630 | 2.1 |
| - Shanghai Outpatient Center | 67,476 | 42.4 | 87,524 | 16.9 | 77,519 | 12.6 | 32,390 | 14.1 | 46,763 | 14.6 |
| - Shanghai Imaging Center | 34,100 | 21.5 | 46,575 | 9.0 | 49,597 | 8.1 | 23,355 | 10.1 | 28,814 | 9.0 |
| - Shanghai GP Clinic | — | — | 278 | 0.1 | 772 | 0.1 | 326 | 0.1 | 1,002 | 0.3 |
| - Datong Hospital | 18,261 | 11.5 | 23,215 | 4.5 | 23,075 | 3.8 | 12,586 | 5.5 | 9,943 | 3.1 |
| - Datong Clinic(1) | — | — | 234 | 0.1 | 176 | 0.0 | 153 | 0.1 | — | — |
| - Internet Hospital | — | — | 4,324 | 0.8 | 1,841 | 0.3 | 801 | 0.3 | 642 | 0.2 |
| **Medical equipment, software and related services** | 35,818 | 22.5 | 241,457 | 46.6 | 223,757 | 36.4 | 50,412 | 21.9 | 117,175 | 36.6 |
| Sales and installing of medical equipment and software | 16,802 | 10.6 | 199,480 | 38.5 | 165,689 | 27.0 | 26,291 | 11.4 | 94,932 | 29.7 |
| Management and technical support | 4,649 | 2.9 | 21,705 | 4.2 | 38,654 | 6.3 | 15,237 | 6.6 | 14,103 | 4.4 |
| Operating lease | 14,367 | 9.0 | 20,272 | 3.9 | 19,414 | 3.2 | 8,884 | 3.9 | 8,140 | 2.5 |
| **Total** | 158,967 | 100.0 | 517,646 | 100.0 | 614,783 | 100.0 | 230,172 | 100.0 | 320,151 | 100.0 |

(1) We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023.

Cost of revenue in relation to our Shanghai Outpatient Center and Shanghai Imaging Center continuously increased from 2020 to 2021 and from the six months ended June 30, 2022 to the same period in 2023, and cost of revenue in relation to our Guangzhou Hospital increased significantly in 2022 and increased from the six months ended June 30, 2022 to the same period in 2023, as we gradually ramped up such medical institutions with increasing cost of pharmaceuticals, consumables and other inventories utilized, increasing employee benefit expenses and increasing depreciation and amortization of medical equipment used to accommodate increasing patient visits. Cost of revenue in relation to Shanghai Outpatient Center experienced a temporary decrease in 2022, primarily due to the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai. Cost of revenue in relation to Guangzhou Outpatient Center decreased from the six months ended June 30, 2022 to the same period in 2023, primarily due to the decrease in pharmaceuticals, consumables and other inventories utilized resulting from the adjustment of our development strategy for Guangzhou Outpatient Center in 2023 as detailed above. Cost of revenue in relation to our Datong Hospital increased from 2020 to 2021, and remained relatively stable in 2022. Cost of revenue in relation to Datong Hospital decreased from the six months ended June 30, 2022 to the same period in 2023 primarily due to the decrease in pharmaceuticals, consumables and other inventories utilized along with the decrease in its inpatient and outpatient visits as (1) we streamlined the staffing at Datong Hospital to optimize its organizational structure, leading to temporary staffing changes and decreased patient service capacity during such adjustments, and (2) Datong Hospital had limited comprehensive treatment capability and surgery expertise to attract patients facing the intensified local market competition according to the F&S Report.

From 2020 to 2021 and the six months ended June 2022 to the same period in 2023, the general increase in the percentage of cost of revenue of medical equipment, software and related services, particularly sales and installing of medical equipment and software, generally reflected an increase in the procurement of medical equipment and software generally consistent with the growth in our sales volume. Such percentage decreased from 2021 to 2022, primarily due to the decrease in cost of medical equipment and software resulting from the less procurement for our sales and installing of medical equipment and software along with the delay in logistics for delivery and supply of medical equipment as a result of less frequent transportation amid the regional resurgence of COVID-19 pandemic in 2022.

**Gross Profit/(Loss) and Gross Margin**

In 2020, our gross profit was RMB7.4 million, representing gross margin 4.4% for the same period. In 2021 and 2022, we recorded gross loss of RMB47.1 million and RMB142.6 million, respectively, representing gross margin of negative 10.0% and negative 30.2%, respectively. In the six months ended June 30, 2022 and 2023, we recorded gross loss of RMB86.4 million and RMB35.0 million, respectively, representing gross margin of negative 60.0% and negative 12.3%, respectively.

The following table sets forth a breakdown of our gross profit/(loss) and gross margin by service offerings for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) | Amount | Gross margin (%) |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| **Hospital business** | (39,635) | (47.5) | (115,014) | (71.4) | (172,634) | (79.0) | (95,905) | (116.6) | (43,720) | (27.5) |
| Medical institutions | (39,635) | (47.5) | (115,014) | (71.4) | (172,634) | (79.0) | (95,905) | (116.6) | (43,720) | (27.5) |
| - Guangzhou Hospital | — | — | (91,693) | (796.4) | (116,499) | (113.3) | (59,598) | (148.2) | (38,065) | (53.5) |
| - Guangzhou Outpatient Center | (3,238) | (4,339.6) | (9,221) | (572.8) | (10,902) | (138.8) | (5,472) | (137.4) | (4,960) | (297.0) |
| - Shanghai Outpatient Center | (14,230) | (26.7) | 177 | 0.2 | (19,255) | (33.0) | (12,023) | (59.0) | (1,092) | (2.4) |
| - Shanghai Imaging Center | (14,028) | (69.9) | (7,920) | (20.5) | (18,492) | (59.5) | (14,716) | (170.3) | 4,551 | 13.6 |
| - Shanghai GP Clinic | — | — | 765 | 73.3 | (5) | (0.6) | (34) | (11.7) | (90) | (9.8) |
| - Datong Hospital | (8,140) | (80.4) | (8,976) | (63.0) | (10,370) | (81.6) | (4,945) | (64.7) | (5,191) | (109.2) |
| - Datong Clinic[(1)] | — | — | 52 | 18.1 | (64) | (56.8) | (46) | (43.0) | — | — |
| - Internet Hospital | — | — | 1,801 | 29.4 | 2,953 | 61.6 | 929 | 53.7 | 1,127 | 63.7 |
| **Medical equipment, software and related services** | 46,989 | 56.7 | 67,873 | 21.9 | 30,021 | 11.8 | 10,423 | 17.1 | 8,747 | 6.9 |
| Sales and installing of medical equipment and software | 9,327 | 35.7 | 18,088 | 8.3 | 13,463 | 7.5 | 829 | 3.1 | 9,369 | 9.0 |
| Management and technical support | 32,507 | 87.5 | 42,894 | 66.4 | 14,455 | 27.2 | 7,240 | 32.2 | (2,075) | (17.3) |
| Operating lease | 5,155 | 26.4 | 6,891 | 25.4 | 2,103 | 9.8 | 2,354 | 20.9 | 1,453 | 15 |
| **Total** | 7,354 | 4.4 | (47,141) | (10.0) | (142,613) | (30.2) | (86,362) | (60.1) | (34,972) | (12.3) |

(1) We strategically ceased the operation of Datong Clinic since July 2022 to focus on the development of our Datong Hospital. We completed the deregistration process of Datong Clinic in March 2023.

***Gross Loss of Hospital Business***

We recorded gross loss for our hospital business during the Track Record Period, primarily due to the significant operation costs incurred for our medical institutions during the ramp-up stage, especially Guangzhou Hospital which became operational in June 2021. The gross margin of our hospital business decreased from negative 47.5% in 2020 to negative 71.4% in 2021, primarily due to the significant increases in employee benefit expenses, cost of pharmaceuticals, consumables and other inventories, and depreciation and amortization associated with the opening of our Guangzhou Hospital in June 2021 and its operation going forward. The gross margin of our hospital business decreased from negative 71.4% in 2021 to negative 79.0% in 2022, primarily due to (1) the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai, and (2) the increases in employee benefit expenses, depreciation and amortization, and cost of pharmaceuticals, consumables and other inventories incurred during the ramp-up stage associated with the operation of our other medical institutions in 2022, primarily including Guangzhou Hospital. The gross margin of our hospital business increased from negative 116.6% in the six months ended June 30, 2022 to negative 27.5% in the six months ended June 30, 2023, primarily because we continued to grow our hospital business with the ramping up of our existing medical institutions and their business recovery from the impact of COVID-19 outbreaks while maintained relatively stable fixed cost.

Considering the high demand for talents in the field of precision radiation therapy services where relevant skill and experience is scarce, we recruited in advance many key medical professionals and management personnel for precision radiation therapy, especially proton therapy, related services to be carried out for our Guangzhou Hospital. Accordingly, we incurred relevant significant employee benefit expenses in cost of revenue for our Guangzhou Hospital. Specifically, in 2021, the employee benefit expenses related to such core team was RMB28.7 million, accounting for 22.3% of total employee benefit expenses recorded as cost of revenue. We expect such core team to conduct multi-site practice to also support the operation of our Shanghai Hospital upon commencement, especially its proton center. In 2021, there was an increase of employee benefit expenses of RMB69.6 million for our physicians, professional nurses and caretaking staff, and other medical professionals at Guangzhou Hospital after it has become operational since June 2021, and such expenses were previously recorded as administrative expenses prior to its opening, and then were recorded as cost of revenue from June 2021 onwards. As Guangzhou Hospital also incurred other costs while only generating revenue of RMB11.5 million during its early ramp-up stage in 2021, it recorded significant gross loss, leading to a declining gross margin for our hospital business in 2021.

We generally recorded improving gross margin for our medical institutions in Guangzhou from 2020 to 2022 and our medical institutions in Shanghai and Datong from 2020 to 2021, along with the enlarging patient base and our gradual efforts in managing these medical institutions in a cost-effective manner during the ramp-up stage. Datong Hospital recorded decreased gross margin from 2021 to 2022, primarily due to the decrease in average spending per inpatient visit as a result of the decreased average spending for inpatient services for patients covered by the public medical insurance program as requested by Datong Medical Insurance Service Centre when executing the price ceilings of average spending for inpatient services per inpatient visit designated in the public medical insurance agreements in practice in 2022. Datong Hospital recorded decreased gross margin in the six months ended June 30, 2023 compared to the same period in 2022 primarily due to the decreased patient visits as (1) we streamlined the staffing at Datong Hospital to optimize its organizational structure, leading to temporary staffing changes and decreased patient service capacity during such adjustments, and (2) Datong Hospital had limited comprehensive treatment capability and surgery expertise to attract patients facing the intensified local market competition, according to the F&S Report. Datong Hospital has not become profitable beyond the first few years of establishing market recognition since its full operation in 2017, primarily due to (1) the impact of COVID-19 pandemic since 2020 as aforementioned and (2) the limited public medical insurance payment capability in Datong city, as evidenced by the notice from Datong Medical Insurance Service Centre requiring Datong Hospital to efficiently manage the budget for inpatient services covered by the public medical insurance program in 2021, for which we have arranged for more radiation therapy and chemotherapy treatment sessions as part of our daytime outpatient services instead of overnight inpatient services at Datong Hospital to increase the number of outpatient visits while improving the overall revenue. See "Risk Factors—Risks Relating to Our Business and Industry—Certain of the medical services and products we provide are effectively subject to regulatory price controls due to our voluntary price-matching policies, which may adversely affect our results of operations." Shanghai Outpatient Center and Shanghai Imaging Center recorded decreased gross margin from 2021 to 2022, primarily due to the decrease in revenue generated because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai. We recorded improved gross margin for Guangzhou Hospital and Shanghai Outpatient Center, and achieved gross profit for Shanghai Imaging Center in the six months ended June 30, 2023 compared to the same period in 2022, along with their ramping-up and business recovery from the impact of COVID-19 outbreaks. Guangzhou Outpatient Center recorded decreased gross margin in the six months ended June 30, 2023 compared to the same period in 2022, primarily due to the decrease in average spending per outpatient visit because we adjusted the development strategy for Guangzhou Outpatient Center in 2023 to position it as a patient acquisition, reception, referral and post-treatment health management hub to complement the clinical services in Guangzhou Hospital to achieve better synergy among the two medical institutions along with the burgeoning of Guangzhou Hospital.

***Gross Margin during the Track Record Period***

Our gross margin decreased from 2020 to 2022, primarily due to the decrease in gross margin for our medical equipment, software and related services as a result of the decrease in gross margin for our sales and installing of medical equipment and software, primarily because our long-term strategy is to acquire new enterprise customers and target hospitals as our end customers, by supplying them with medical equipment and assisting them in achieving well-rounded development on medical technology and operational management by providing comprehensive support services. Accordingly, we strategically promoted our sales and installing of medical equipment and software at a relatively low gross margin level to acquire new enterprise customers. We constantly expand our sales and installing of medical equipment and software as we believe new business opportunities with relatively higher gross margin may continuously emerge after we begin to serve such enterprise customers.

Specifically, new business opportunities may emerge along with the equipment supply, including demands for equipment repair, maintenance and upgrade, or our cloud platform services for customized and digitalized services, thereby creating strong customer stickiness for our management and technical support services on a continuous basis, due to the relatively high switching cost. For instance, we supplied head gamma knife to Rugao Bo'ai Hospital in Nantong, Jiangsu province, who has been our partnered hospital for years. Following our sales and installing of medical equipment and software, we have been providing comprehensive support services for Rugao Bo'ai Hospital by undertaking the repair and maintenance of such medical equipment, providing technical training, operational guidance services and medical technology support, as well as remote radiation therapy services through our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. See "Business—Our Medical Equipment, Software and Related Services—Case Study." In addition, we have also been collaborating with a partnered hospital in Zibo, Shandong province since 2019 by providing equipment leasing of a set of linear accelerator and comprehensive support services based on such equipment. In 2021, we further expanded our services to include management and technical support services conducted through our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. We have been providing, among others, remote diagnostic result consultation, remote radiation therapy target delineation, radiation modeling and plan customization, and quality control services for such hospital on a regular basis. Accordingly, we strategically promoted our sales and installing of medical equipment and software with fairly low price in general to acquire new customers with the purchase potential to bring continuous follow-up business opportunities such as our management and technical support services with relatively higher gross margin.

Specifically, we recorded gross margin of negative 10.0% in 2021, primarily due to (1) the decrease in gross margin for our hospital business from negative 47.5% in 2020 to negative 71.4% in 2021, with the reason discussed above, and (2) the decrease in gross margin for our medical equipment, software and related services from 56.7% in 2020 to 21.9% in 2021, as a result of (i) the decrease in gross margin for our sales and installing of medical equipment and software from 35.7% in 2020 to 8.3% in 2021, primarily due to the strategic promotion of our sales and installing of medical equipment and software to new enterprise customers under the same development strategy with previous year, and (ii) the decrease in gross margin for our management and technical support from 87.5% in 2020 to 66.4% in 2021. In order to provide more enterprise customers with our remote services, in the second half of 2021, we began to provide (1) software development services with a relatively lower gross margin compared to our comprehensive support service for large-scale medical equipment, which is in line with industry standard, and (2) healthcare consultation services through Internet Hospital with relatively large staff costs and low gross margin in early development stage.

Our gross margin decreased from negative 10.0% in 2021 to negative 30.2% in 2022, primarily due to (1) the decrease in gross margin for our hospital business from negative 71.4% in 2021 to negative 79.0% in 2022, primarily resulting from the decreased gross margin recorded for Shanghai Outpatient Center and Shanghai Imaging Center with the reason discussed above, and (2) the decrease in gross margin for our medical equipment, software and related services from 21.9% in 2021 to 11.8% in 2022, primarily as a result of (i) the decrease in gross margin of sales and installing of medical equipment and software in 2022, primarily due to the decrease in revenue generated from sales and installing of medical equipment and software, resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment that generally has relatively higher gross margin, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022, and (ii) the decrease in gross margin of management and technical support in 2022, primarily due to the increase in cost of revenue in relation to management and technical support in 2022, primarily due to an increase in the headcount for our staff responsible for offering software development services, healthcare consultation services and other remote services to serve the business expansion.

Our gross margin increased from negative 60.1% in the six months ended June 30, 2022 to negative 12.3% in the six months ended June 30, 2023, primarily due to the increase in gross margin for our hospital business from negative 116.6% in the six months ended June 30, 2022 to negative 27.5% in the six months ended June 30, 2023, because we continued to grow our hospital business with the ramping up of our existing medical institutions and their business recovery from the impact of COVID-19 outbreaks while maintained relatively stable fixed cost.

**Selling and Distribution Expenses**

Our selling and distribution expenses primarily consisted of marketing and promotion expenses, employee benefit expenses for our sales and marketing staff, and office, travel and miscellaneous expenses. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our selling and distribution expenses was RMB21.0 million, RMB50.3 million, RMB60.9 million, RMB25.9 million and RMB26.4 million, respectively, representing 12.7%, 10.7%, 12.9%, 18.0% and 9.2% of our revenue for the same periods, respectively. The decrease in the percentage of revenue for our selling and distribution expenses from 2020 to 2021 was primarily due to a decrease in sales and traveling activities during the COVID-19 pandemic in 2020 and a faster growth in our revenue in 2021. The increase in both absolute amount and percentage of revenue for our selling and distribution expenses from 2021 to 2022 was primarily due to our enhanced marketing efforts along with our business expansion, especially relating to the opening of Guangzhou Hospital in June 2021. The decrease in the percentage of revenue for our selling and distribution expenses from the six months ended June 30, 2022 to the six months ended June 30, 2023 was primarily due to our efforts in controlling selling and distribution expenses by (1) prudently monitoring the growth and the necessity of new sales and marketing staff, and (2) enhancing the cost efficiency of our marketing and promotion activities while there was also increase in our revenue along with the ramping up of our existing medical institutions, the business development of our sales and installing of medical equipment and software, and recovery from the impact of the COVID-19 outbreaks.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| Marketing and promotion expenses | 15,155 | 72.0 | 27,838 | 55.4 | 28,403 | 46.7 | 11,273 | 43.6 | 14,799 | 56.1 |
| Employee benefit expenses | 1,157 | 5.5 | 12,579 | 25.0 | 20,395 | 33.5 | 9,976 | 38.6 | 8,694 | 33.0 |
| Office, travel and miscellaneous expenses | 4,531 | 21.5 | 9,341 | 18.6 | 12,018 | 19.7 | 4,487 | 17.4 | 2,809 | 10.7 |
| Others[(1)] | 202 | 1.0 | 534 | 1.0 | 67 | 0.1 | 119 | 0.5 | 59 | 0.2 |
| **Total** | 21,045 | 100.0 | 50,292 | 100.0 | 60,883 | 100.0 | 25,856 | 100.0 | 26,361 | 100.0 |

(1) Others primarily include maintenance expenses and software upgrade expenses.

All major components of our selling and distribution expenses increased from 2020 to 2021, primarily due to a step-up in our market education efforts and an increase in sales and traveling activities upon the effective containment of the COVID-19 pandemic in 2021. Marketing and promotion expenses increased from 2021 to 2022, primarily due to the increase in our marketing activities relating to Guangzhou Hospital as it has become operational since June 2021 and our Internet Hospital for its business expansion after its launch in May 2021. Employee benefit expenses increased significantly from 2021 to 2022, primarily because we reclassified the employee benefit expenses related to our marketing personnel of our Guangzhou Hospital from administrative expenses to selling and distribution expenses as it has become operational since June 2021. Marketing and promotion expenses increased from the six months ended June 30, 2022 to the same period in 2023, primarily due to an increase in our marketing activities to facilitate our business expansion upon the effective containment of the COVID-19 pandemic in 2023.

**Administrative Expenses**

Our administrative expenses primarily consisted of employee benefit expenses for our administrative staff, and physicians, professional nurses and caretaking staff and other medical professionals at our medical institutions prior to opening. Our administrative expenses also include depreciation and amortization, office, travel and miscellaneous expenses, consultancy and professional service fees, and leasing, repair and maintenance expenses. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our administrative expenses was RMB237.5 million, RMB255.3 million, RMB213.1 million, RMB100.4 million and RMB93.8 million, respectively, representing 142.8%, 54.3%, 45.1%, 69.8% and 32.8% of our revenue for the same periods, respectively. The decrease in the percentage of revenue for our administrative expenses from 2020 to 2021 was primarily because our revenue increased at a greater pace compared to our administrative expenses in 2021. The decrease in both absolute amount and percentage of revenue for our administrative expenses from 2021 to 2022 was primarily due to the reclassification of the employee benefit expenses related to medical professionals of our Guangzhou Hospital to cost of revenue, as it has become operational since June 2021. The decrease in both absolute amount and percentage of revenue for our administrative expenses from the six months ended June 30, 2022 to the six months ended June 30, 2023 was primarily due to the decrease in employee benefit expenses as a result of the decreased headcount of our administrative staff and medical professionals in 2023 as part of our efforts to streamline organizational structure and control operating expenses, while our revenue increased in the same periods.

The following table sets forth a breakdown of our administrative expenses for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| Employee benefit expenses | 153,525 | 64.6 | 148,120 | 58.0 | 124,368 | 58.4 | 59,277 | 59.0 | 50,683 | 58.4 |
| Depreciation and amortization | 22,682 | 9.6 | 29,450 | 11.5 | 26,661 | 12.5 | 12,671 | 12.6 | 13,242 | 12.5 |
| Office, travel and miscellaneous expenses | 17,355 | 7.3 | 31,960 | 12.5 | 23,155 | 10.9 | 10,363 | 10.3 | 12,367 | 10.9 |
| Consultancy and professional service fees | 36,611 | 15.4 | 29,083 | 11.4 | 19,046 | 8.9 | 7,326 | 7.3 | 9,210 | 8.9 |
| Leasing, repair and maintenance | 4,540 | 1.9 | 12,542 | 4.9 | 13,524 | 6.3 | 8,057 | 8.0 | 3,513 | 6.3 |
| Others[1] | 2,785 | 1.2 | 4,110 | 1.7 | 6,363 | 3.0 | 2,702 | 2.7 | 4,745 | 3.0 |
| **Total** | 237,498 | 100.0 | 255,265 | 100.0 | 213,117 | 100.0 | 100,396 | 100.0 | 93,760 | 100.0 |

(1) Others primarily include taxation and insurance fees.

Employee benefit expenses decreased from 2020 to 2021 and further to 2022, primarily because we reclassified the employee benefit expenses related to medical professionals of our Guangzhou Hospital to cost of revenue, as it has become operational since June 2021. Consultancy and professional service fees, which was primarily related to our strategic collaboration, decreased from 2020 to 2021 and further to 2022, primarily due to discontinuation of certain consultancy and professional services in 2021 and 2022. Employee benefit expenses decreased from six months ended June 30, 2022 to the six months ended June 30, 2023, primarily due to the decreased headcount of our administrative staff and medical professionals in 2023 as part of our efforts to streamline organizational structure and control operating expenses. Leasing, repair and maintenance expenses decreased from six months ended June 30, 2022 to the six months ended June 30, 2023 as a result of the termination of a lease for the property used as administration office as part of our efforts to control operating expenses.

### Research and Development Expenses

Our research and development expenses primarily consisted of employee benefit expenses for our research and development staff and outsourcing personnel responsible for the development, operation and maintenance of our cloud platforms and other services, design and development expenses, utilities and office expenses, and depreciation and amortization. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our research and development expenses were RMB11.3 million, RMB40.4 million, RMB41.3 million, RMB17.7 million and RMB18.5 million, respectively, representing 6.8%, 8.6%, 8.8%, 12.3% and 6.5% of our revenue for the same periods, respectively. The general increase of all major components of our research and development expenses and the increase in the percentage of revenue for our research and development expenses from 2020 to 2022 was primarily due to our enhanced development efforts on our cloud platforms and other services, supported by an increase in a headcount in our research and development team. The decrease in the percentage of revenue for our research and development expenses in the six months ended June 30, 2023 compared to the same period in 2022 was primarily due to our efforts to control research and development expenses by (1) enhancing the cost-efficiency of our research and development activities, and (2) continuously optimizing the structure of our research and development team while there was also an increase in our revenue along with the ramping up of our existing medical institutions, the business development of our sales and installing of medical equipment and software, and recovery from the impact of the COVID-19 outbreaks.

The following table sets forth a breakdown of our research and development expenses for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | | | | |
| | | | | | | | (Unaudited) | | | |
| Employee benefit expenses | 7,895 | 70.0 | 33,939 | 84.0 | 32,906 | 79.6 | 13,470 | 76.3 | 12,620 | 68.1 |
| Design and development expenses | 1,826 | 16.2 | 4,307 | 10.7 | 4,719 | 11.4 | 3,678 | 20.8 | 4,793 | 25.9 |
| Utilities and office expenses | 1,510 | 13.4 | 1,763 | 4.4 | 3,166 | 7.7 | 251 | 1.4 | 560 | 2.9 |
| Depreciation and amortization | 42 | 0.4 | 371 | 0.9 | 525 | 1.3 | 257 | 1.5 | 545 | 2.9 |
| **Total** | 11,273 | 100.0 | 40,381 | 100.0 | 41,316 | 100.0 | 17,656 | 100.0 | 18,518 | 100.0 |

**Other Income and Other Net Gains/(Losses)**

Our other income primarily represented interest income, additional VAT deduction, government grants and compensation income. Our other net gains/(losses) primarily represented reversal of or provision for impairment of amounts due from related parties, gain/(loss) on disposal of property, plant and equipment, impairment provisions, gain on disposal of a subsidiary, gain on rent concession and lease modification and termination, and exchange (loss)/gain. Our other income and other net losses was RMB11.8 million and RMB7.8 million in 2020 and 2021, respectively, representing 7.1% and 1.7% of our revenue for the same periods, respectively. Our other income and other net gains was RMB85.4 million, RMB34.6 million and RMB11.3 million in 2022 and the six months ended June 30, 2022 and 2023, representing 18.1%, 24.1% and 4.0% of our revenue for the same period, respectively. Our reversal of or provision for impairment of amounts due from related parties is a major part of this line item. It is an accounting treatment derived using general approach of expected credit loss model and is non-cash in nature.

The following table sets forth a breakdown of our other income and other net gains/(losses) for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | (RMB in thousands) | | | (Unaudited) | |
| **Other income** | | | | | |
| Interest income | 5,988 | 5,430 | 7,786 | 3,812 | 4,041 |
| Additional VAT deduction | 752 | 1,443 | 89 | 11 | 172 |
| Government grants[(1)] | 1,006 | 1,800 | 1,826 | 979 | 1,287 |
| Compensation income[(2)] | — | — | 50,000 | — | — |
| **Other net gains/(losses)** | | | | | |
| Gain/(loss) on disposal of property, plant and equipment | 1,630 | (138) | (1,134) | 173 | — |
| Reversal of/(provision for) impairment loss on trade receivables | 880 | 441 | (19,647) | (1,397) | 2,903 |
| (Provision for)/reversal of impairment loss on other receivables | (7,187) | 2,000 | (879) | (1,253) | 716 |
| (Provision for)/reversal of impairment loss on amounts due from related | (18,004) | (47,652) | 42,558 | 30,755 | 2,510 |
| Reversal/(write-down) of write-down of inventories | 539 | 30 | 12 | — | 31 |
| Write-off of property, plant and equipment | — | — | (20) | (20) | (27) |
| Write-off of intangible assets | — | — | (754) | (4) | — |
| Gain on disposal of a subsidiary | — | 30,027 | — | — | — |
| Rent concession | 1,880 | — | — | — | — |
| Gain on lease modification | — | 3,241 | — | — | — |
| Gain on lease terminations | 409 | 26 | 403 | — | 146 |
| Interest income arising from financial assets at FVTPL | — | 37 | — | — | — |
| Fair value change on convertible bond-embedded derivatives | — | (64) | 763 | (20) | 767 |
| Exchange gain/(loss) | 1,650 | 555 | (638) | (370) | (207) |
| Others | (1,349) | (4,964) | 5,084 | 1,960 | (1,035) |
| **Total** | (11,806) | (7,788) | 85,449 | 34,626 | 11,304 |

(1) Government grants represented the financial support received from local government as an incentive for business development and there has no unfulfilled conditions attached to the government grants.

(2) Compensation income represented the one-off damages received for the proton equipment in relation to an arbitration proceeding of Beijing Century Friendship.

### Finance Costs

Our finance costs primarily represented interest charge on bank and other borrowings, lease liabilities, redeemable capital contribution, and convertible bond and fair value change on convertible bond. Our finance costs was RMB323.5 million, RMB435.3 million, RMB274.5 million, RMB222.5 million and RMB54.9 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 194.5%, 92.5%, 58.1%, 154.7% and 19.2% of our revenue for the same periods, respectively. Our interest charge on redeemable capital contribution primarily represented interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements. We recorded significant interest expense on redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, along with our increasing financing activities, and did not record interest expense on redeemable capital contribution in the six months ended June 30, 2023. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. See "—Indebtedness—Redeemable Capital Contribution."

The following table sets forth a breakdown of our finance costs for the periods indicated.

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| | (RMB in thousands, except for percentages) | | | | | | (Unaudited) | | | |
| Interest charge on bank and other borrowings | 35,360 | 10.9 | 75,804 | 17.4 | 94,865 | 34.6 | 50,594 | 22.7 | 47,266 | 86.1 |
| Interest charge on lease liabilities | 15,459 | 4.8 | 15,859 | 3.7 | 14,752 | 5.4 | 7,484 | 3.4 | 7,116 | 13.0 |
| Interest charge on redeemable capital contribution | 272,654 | 84.3 | 343,583 | 78.9 | 163,908 | 59.7 | 163,908 | 73.7 | — | — |
| Interest charge on convertible bond | — | — | 65 | 0.0 | 950 | 0.3 | 471 | 0.2 | 477 | 0.9 |
| **Total** | 323,473 | 100.0 | 435,311 | 100.0 | 274,475 | 100.0 | 222,457 | 100.0 | 54,859 | 100.0 |

### Income Tax Credit

Our income tax credit was RMB6.5 million, RMB5.2 million, RMB9.9 million, RMB3.1 million and RMB4.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Pursuant to the EIT Law and related regulations, enterprises which operate in China are subject to EIT at a statutory rate of 25%.

Our Company and several of our subsidiaries were qualified as an HNTE (高新技術企業). Our Company and our subsidiaries, including Beijing Yundu and Beijing Healthingkon, were qualified as an HNTE in 2019 and renewed their HNTE status in 2022. Shenzhen Aohua, one of our subsidiaries, was qualified as an HNTE since 2021. These entities are entitled to a preferential income tax rate of 15% for High and New Technology Enterprise for three consecutive years from the year in which their High and New Technology Enterprise Certificates are issued, but since these entities did not make profits during the Track Record Period, they did not actually enjoy such preferential taxation. In addition, some of our subsidiaries were also qualified as small-and-micro enterprises and subject to preferential tax treatments.

According to relevant laws and regulations promulgated by the State Council that was effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The SAT announced in September 2018 that enterprises engaging in research and development activities would entitle to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020, which was further extended to December 31, 2023. From 2021 onwards, the Super Deduction ratio has increased to 200%. We have made our best estimate for the Super Deduction to be claimed in ascertaining assessable profits. For the risk relating to preferential tax treatments, see "Risk Factors—Risks Relating to Our Business and Industry—Certain benefits and obligations are applicable to us under PRC tax laws, regulations and policies. Changes to such benefits or failure to fulfill such obligations may have an adverse effect on our results of operations and financial condition."

### Loss for the Year/Period

As a result of the foregoing, we recorded net loss of RMB591.3 million, RMB831.1 million, RMB637.2 million, RMB415.1 million and RMB214.3 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

## BUSINESS SUSTAINABILITY

### Historical Financials

We recorded accumulated losses of RMB744.5 million as of January 1, 2019. The accumulated loss as of January 1, 2019 was primarily due to the net losses incurred in our history of developing hospital business, which were primarily attributable to (1) the gross loss for our hospital business as our first two self-owned medical institutions, including (i) Datong Hospital, which started pilot operation in May 2016 and became fully operational in May 2017, and was in early ramp-up stage with significant upfront costs but limited revenue prior to 2019, and (ii) Shanghai Outpatient Center, which we acquired in October 2018 with accumulated losses incurred from its prior operation and limited revenue recorded during the initial stage of our operation, (2) the high upfront construction and renovation costs for medical institutions in construction, (3) the significant staff costs for our medical institutions, as we recruit in advance medical professionals prior to opening of our medical institutions to support operation, and (4) the significant finance costs, primarily including interest charge on redeemable capital contribution which represented interests accrued on the special rights of the **[REDACTED]** Investors, and interest charge on bank and other borrowings. See "History, Development and Corporate Structure—**[REDACTED]** Investments."

**Improving Operating Cashflows**

We incurred net losses during the Track Record Period and net operating cash outflow in 2022 and the six months ended June 30, 2023, as we have been focusing on constructing and establishing our medical institutions and growing our medical equipment, software and related services, and large initial investments is mandatory for hospital industry due to its heavy-asset nature. We believe such initial investments were indispensable to the expansion of our geographical coverage in order to capture the significant monetization opportunities from patients and enterprise customers. To improve our net operating cash outflows position in the upcoming years, we primarily plan to (1) drive sustainable growth of our revenue, and (2) control our cost of revenue and expenses and, specifically, control our daily operation cash outflows.

In specific, we plan to drive sustainable growth of our revenue by (i) increasing patient visits and average spending per visit for our medical institutions under our hospital business, along with our enhanced efforts to recover from the impact of COVID-19 outbreaks, attract patients and broaden our services offering such as proton therapy services. As the proton center of Guangzhou Hospital is expected to start operation in March 2024, we expect to not only generate relevant revenue from proton therapy services then, but also to attract potential proton therapy patients for other oncology healthcare services available in our medical institutions as part of comprehensive cancer treatment plans. Furthermore, along with the gradual opening of the other eight private or public medical institutions with differentiated expertise in the IMC, we expect that our Shanghai Imaging Center, as one of the most comprehensively equipped and largest diagnostic imaging centers in China, would also attract more patients referred from other eight medical institutions with limited or no advanced diagnostic imaging services, should such demand arise; (ii) increasing the proportion of patients adopting commercial insurance billing through our cooperation with more commercial insurance companies and expansion in more insurance types ( such as those specifically designed for different kinds of cancer, cancer screening services, or proton therapy), aiming to attract more patient visits for our medical institutions and improve their spending on the advanced oncology healthcare services with relatively higher gross margin. To this end, we have set up a business expansion team for commercial insurance expansion; and (iii) increasing the number of customers and service types with relatively higher gross margin, and enhancing payment collection efforts towards customers under our medical equipment, software and related services, accelerating our business recovery from the impact of COVID-19 outbreaks. For instance, we will continue to execute the customer acquisition strategy to expand our customer base to new geographical areas in the next five years, such as Yunnan province and Guangxi province where we have prior cooperation experience with local customers and have been conducting research on their market demands for medical equipment.

Furthermore, we plan to control our cost of revenue and expenses and, specifically, control our daily operation cash outflows through (i) optimizing our daily operations to improve clinical practice efficiency while increase the utilization rate of the medical equipment and facilities in our medical institutions. We believe we have sufficient medical equipment for our medical institutions in the short-term, and have constantly improved the utilization of our advanced medical equipment. For instance, in the ten months ended October 31, 2023, the number of CT examination, ultrasound examination, PET/ CT examination and MRI examination at Shanghai Imaging Center reached 10,294, 26,938, 4,917 and 4,909, respectively, representing a year-over-year increase of approximately 150.6%, 119.6%, 122.1% and 177.2%, respectively; and (ii) optimizing employee headcount and inventory management, among others. For instance, we plan to seek for cost-effective domestic substitutions to relatively expensive exported pharmaceuticals, medical equipment and consumables, and bargain for discount when purchasing in bulk, to save our spendings on procurement and inventories. We also plan to reduce spendings on office rental by combining office space and relocating to offices with lower rent.

It takes time for newly established medical institutions to attract patients and generate revenue large enough to offset costs and expenses of initial investments. Our strategy has been driving long-term and sustainable growth of our business and creating more value in the industry through continuous research and application of advanced oncology diagnostic and treatment technologies. Our management considers that we are at a relatively early stage of our monetization efforts for our medical institutions during the ramp-up stage. Thus, despite our expanding business scale, we may continue to incur net losses and net operating cash outflow in the foreseeable future as described above. We expect to incur net loss for 2023 and 2024, and net operating cash outflow in 2023.

Going forward, we expect to achieve and maintain profitability primarily through continuous revenue growth and improved cost efficiency, along with the expected decrease in finance costs due to the elimination of the interest charge on redeemable capital contribution as a result of the transfer of redeemable capital contribution from liabilities to equity upon the termination of the special rights of the **[REDACTED]** Investors. Our future profitability is subject to various factors, including our ability to effectively monetize our service offerings and continuously grow revenue in a cost-effective way. See "Risk Factors—Risks Relating to Our Business and Industry—We have incurred net loss, net cash used in operating activities, net current liabilities and total deficit in the past, and we may not be able to achieve or maintain profitability."

**Driving Continuous Revenue Growth**

Our revenue increased significantly from RMB166.3 million in 2020 to RMB470.5 million in 2021, and further increased to RMB472.2 million in 2022. Our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the same period in 2023. As we primarily engage in two business segments, the sustainable growth of our revenue primarily depends upon (1) the patient visits and average spending per visit for our medical institutions under our hospital business, and (2) the number of customers and more comprehensive service types they adopted under our medical equipment, software and related services.

***Hospital Business***

Revenue generated from our hospital business increased from RMB83.5 million in 2020 to RMB161.2 million in 2021, and further increased to RMB218.4 million in 2022, and from RMB83.0 million in the six months ended June 30, 2022 to RMB159.3 million in the same period in 2023, as we continued to grow our hospital business with the ramping up of our existing medical institutions and the opening of new medical institutions. The medical service income generated from our medical institutions primarily depends on the patient visits and average spending per visit. The number of outpatient visits for our self-owned medical institutions increased from 27,713 in 2020 to 50,622 in 2021, and further increased to 63,119 in 2022, and increased from 25,189 in the six months ended June 30, 2022 to 41,810 in the same period in 2023, and the average spending per outpatient visit increased from RMB2,809.6 in 2020 to RMB3,001.5 in 2021, and increased from RMB2,239.9 in the six months ended June 30, 2022 to RMB2,794.4 in the same period in 2023, primarily driven by the organic growth of our existing medical institutions and newly established ones that became operational and gradually ramped up during the relevant periods. We expect this trajectory to continue as we continue to benefit from greater economies of scale. The average spending per outpatient visit decreased from RMB3,001.5 in 2021 to RMB2,412.6 in 2022, primarily due to (1) the decrease in revenue generated from outpatient visits, primarily due to the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center which generally had higher average spending per outpatient visit, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai, and (2) the increase in outpatient visits in 2022 in Guangzhou Hospital, which generally had lower average spending per outpatient visit during the Track Record Period, as we gradually ramped up our medical institutions with growing patient visits.

During the Track Record Period, we recorded steady increase in the number of inpatient visits and the average spending per inpatient visit for our self-owned medical institutions. See "—Key Factors Affecting Our Results of Operations—Patient Visits and Average Spending under Our Hospital Business." Specifically, in 2020, 2021, 2022 and the six months ended 2022 and 2023, the number of inpatient visits for our self-owned medical institutions was 491, 778, 2,999, 1,282 and 1,757, respectively, and the average spending per inpatient visit was RMB11,511.8, RMB11,820.9, RMB21,888.7, RMB20,582.5 and RMB24,146.6, respectively. The increase in average spending per inpatient visit during the Track Record Period was primarily due to the organic growth of our existing medical institutions and newly established ones that became operational and gradually ramped up during the relevant periods. Specifically, Guangzhou Hospital commenced operation in 2021, and recorded the increase in average spending per inpatient visit from RMB21,562.1 in 2021 to RMB25,599.9 in 2022 and RMB25,679.9 in the six months ended June 30, 2023, primarily as a result of the increased types of service offerings provided at Guangzhou Hospital as it gradually ramped up. The number of inpatient visits for our medical institutions reached 3,085 in the ten months ended October 31, 2023. Although patients who are not in severe conditions may reduce their inpatient visits during the COVID-19 pandemic, we expect the demand of oncology healthcare services would restore in the long term because the COVID-19 pandemic merely delayed such demand in a short term rather than eliminate the patients' needs for oncology healthcare services, evidenced by the increasing trend in 2021, 2022 and the six months ended June 30, 2023 for our inpatient visits.

Despite that Datong Hospital has not become profitable due to the impact of COVID-19 pandemic and the localized circumstances in Datong city, we expect Guangzhou Hospital and the planned Shanghai Hospital to achieve sustainable business growth, considering that (1) Guangzhou Hospital and Shanghai Hospital are positioned as comprehensive cancer hospitals providing multidisciplinary cancer diagnosis and treatment services featuring precision radiation therapy, with the capacity to attract and serve a broader patient base with various medical demands, compared to Datong Hospital which is a cancer specialty hospital with limited capacity in comprehensive treatments; (2) Guangzhou Hospital and Shanghai Hospital are situated in prime locations of international metropolises in the Greater Bay Area and the Yangtze River Delta region, respectively, with significantly higher per capita disposable income and purchasing power, broader adoption of commercial medical insurances representing higher payment power compared to public medical insurances, and more attraction to patients from adjacent regions seeking for quality medical resources, compared to Datong city, according to the F&S Report. Specifically, the per capita disposable income of residents in Shanghai and Guangdong province in 2022 was RMB79,610 and RMB47,065, respectively, higher than the national average of RMB36,883 in China and RMB29,178 in Shanxi province, where Datong City is located, according to the same source. In 2021, Shanghai and Guangdong province recorded average medical expenses per inpatient of RMB22,960 and RMB14,104, respectively, higher than the national average of RMB11,002 and RMB10,128 in Shanxi province, according to the same source; (3) we expect to achieve enhanced synergistic effect among our medical institutions in the Greater Bay Area and the Yangtze River Delta region with the establishment of phase II of Guangzhou Hospital and Shanghai Hospital to promote our brand recognition, attract more patients and increase our bargaining power in pricing negotiation for medical equipment and consumables procurement, and (4) our Shanghai Outpatient Center and Shanghai Imaging Center have achieved rapid business growth in terms of revenue and outpatient visits from 2020 to 2021, and have continued to recover from the impact of COVID-19 outbreak as evidenced by the number of outpatient visits of 16,004 and 14,942 in the ten months ended October 31, 2023, respectively, which set examples for similarly situated Shanghai Hospital. As our newly-opened medical institutions, primarily including Shanghai Imaging Center which commenced full operation in 2020 and Guangzhou Hospital opened in 2021, go through the ramp-up period, we expect the number of patient visits and average spending to continue to increase along with the expanding service offerings and reputation of our physicians at our medical institutions.

China's oncology medical resources are in short supply at present. With the growing demand and improving access for cancer treatment, the market size of China's oncology healthcare service, in terms of revenue, is expected to grow from RMB495.1 billion in 2022 to RMB768.7 billion in 2026, at a CAGR of 11.6%, according to the F&S Report. The market size of China's private oncology healthcare service, in terms of revenue, is expected to grow from RMB53.0 billion in 2022 to RMB109.2 billion in 2026, at a CAGR of 19.8%, according to the same source. China's radiation therapy market is also in its early development stage. With increasing prevalence of radiation therapy in China and advancement of radiation therapy technology, the radiation therapy service market in China is expected to grow from RMB55.4 billion in 2022 to RMB96.1 billion in 2026, at a CAGR of 14.7%, according to the same source. The penetration rate of radiation therapy was 34% in China in 2022, compared to 64% in the United States in the same year. China's radiation therapy resource is currently insufficient to meet the growing treatment demand of cancer patients, indicating significant market growth potential. As the second largest private oncology healthcare group in China in terms of the number of self-owned or managed healthcare institutions and the number of self-owned or managed radiation therapy equipment units as of December 31, 2022, we believe we are well positioned to continue to capitalize on the favorable industry trends and reinforce our market leadership, leveraging our professional cancer treatment technologies and physicians.

To drive our revenue growth and achieve long-term profitability for our hospital business, we expect to continue to attract patients and broaden our services offering and, as a result, achieving higher average spending per visit. The following table summarizes the business initiatives we have taken and plan to continue to implement going forward.

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
|---|---|---|---|
| Provide cutting-edge oncology healthcare services with advanced medical equipment | We have been providing cutting-edge oncology healthcare services through purchasing and upgrading medical equipment as well as applying advanced cancer diagnosis and treatment techniques at our medical institutions. For instance, when we acquired Shanghai Outpatient Center in October 2018, it only equipped with one set of accelerator and other basic equipment. We further deployed another set of accelerator in 2020 and other advanced oncology diagnostic and treatment equipment in Shanghai Outpatient Center to support its business development. We have been continuously added and upgraded medical equipment to our medical institutions with a total of 20 large-scale medical equipment as of June 30, 2023, primarily including gamma knife system, linear accelerator, and imaging diagnostic equipment including those for PET/CT, MRI, and CT. As of the Latest Practicable Date, leveraging our advanced medical equipment and medical techniques, we have been providing various precision radiation therapies, primarily including IMRT, IGRT, VMAT, SRT and brachytherapy at our medical institutions. Particularly, in 2022, we introduced total body irradiation therapy for pediatric patients in Guangzhou Hospital.<br><br>We have constantly improved the utilization of our advanced medical equipment. For instance, in the ten months ended October 31, 2023, the number of CT examination, ultrasound examination, PET/CT examination and MRI examination at Shanghai Imaging Center reached 10,294, 26,938, 4,917 and 4,909, respectively, representing a year-over-year increase of approximately 150.6%, 119.6%, 122.1% and 177.2%, respectively. | We expect to continuously apply advanced cancer diagnosis and treatment techniques at our medical institutions, primarily adding proton therapy service in Guangzhou Hospital and Shanghai Hospital. Specifically, we have completed the construction of the proton center with four treatment rooms in Guangzhou Hospital and have commenced the clinical trial for our proton therapy equipment in November 2022. We are preparing for the application of Class A large medical equipment configuration license for our proton equipment at the proton center of Guangzhou Hospital. We also expect to complete the construction of the proton center of Shanghai Hospital deployed with the proton equipment in 2025.<br><br>We believe we have sufficient medical equipment for our medical institutions in the short-term. In the long-term, based on the then actual business needs, we plan to purchase and upgrade medical equipment for our medical institutions, such as Shanghai Imaging Center, in respondent to increasing patient needs and along with technique upgrade. | We believe the flagship treatment options of our oncology healthcare services, such as proton therapy treatment which was only available in two proton therapy centers operating in China in 2022, will enhance our brand recognition and attract more patient visits. In addition, more complex imaging diagnosis and treatment therapies, such as total body irradiation therapy for pediatric patients, can increase service unit pricing, according to the F&S Report. See "Industry Overview—China's Precision Radiation Therapy Market—Market Size" and "Industry Overview—China's Precision Radiation Therapy Market—Key Drivers and Development Trends."<br><br>Furthermore, we believe additional medical equipment can prolong the total operating hours of equipment, enhancing service capacity and widening service offerings, thereby bringing more patient visits. In particular, along with the gradual opening of the other eight private or public medical institutions with differentiated expertise in the IMC, we expect that our Shanghai Imaging Center, as one of the most comprehensively equipped and largest diagnostic imaging centers in China, would also attract more patients referred from other eight medical institutions with limited or no advanced diagnostic imaging services, should such demand arise. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| Expand existing medical institutions | We have successfully constructed or acquired, and put in operation seven medical institutions. As of the Latest Practicable Date, our Shanghai Hospital was under construction and phase II of Guangzhou Hospital was in the construction planning stage.<br><br>We have constantly improved the utilization of our existing medical institutions. In the ten months ended October 31, 2023, the number of outpatient visits and inpatient visits for our self-owned medical institutions were 68,437 and 3,085, respectively, representing a year-over-year increase of approximately 33.0% and 25.7%, respectively. We have also witnessed increasing patient visits for our radiation therapy. In the ten months ended October 31, 2023, the number of new patients treated by radiation therapy at Shanghai Outpatient Center and Guangzhou Hospital were 676 and 603, respectively, representing a year-over-year increase of approximately 89.9% and 59.9%, respectively. | We expect to complete the phase I of the construction of Shanghai Hospital in September 2025, and the construction of the underground structure for phase II of the construction of Shanghai Hospital in October 2024. Phase I of Shanghai Hospital is expected to commence operation in January 2026. We expect to commence the construction of the phase II of Guangzhou Hospital in 2026 with an estimated 300 additional beds to be operational in 2027. | We believe the expansion and upgrade of our medical institutions can elevate our service capacity and widen our service offerings, thereby bringing more patient visits. |
| Enhance cross-selling among offline and online medical institutions | We have been leveraging the synergistic effect among our offline and online medical institutions to broaden our customer base. Specifically, as of June 30, 2023, among the total of 219 individual users of our Internet Hospital, nine users had previously visited our offline medical institutions and were channeled to the Internet Hospital, and 188 users were referred to visit our offline medical institutions after experiencing the services of the Internet Hospital. | We plan to further explore opportunities for our Internet Hospital users to experience healthcare services offered by our offline medical institutions, and vice versa. The measures we plan to take in the next five years primarily include promoting more services jointly offered through online and offline medical institutions, such as online appointment for offline examination and international consultation, and expanding services for Internet Hospital to cover whole-process health management with both online and offline services. | We believe the cross-selling among our offline and online medical institutions can expand our patient base for long-term business improvement. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| Accumulate technological advantages and industrial experience | We have been actively engaging in various medical research activities to train our medical professionals and strengthen our oncology healthcare service expertise, and participating in formulating the national industry standards. Through collaboration with MD Anderson, we have adopted their expertise in cutting-edge cancer treatment, and the associated quality control protocols and methodologies, such as their MDT practice guideline. Guangzhou Hospital has also, through their collaboration with Mayo Clinic, formulated a set of commensurate service standards comparable to those of Mayo Clinic, covering our clinical protocols, operational procedures, MDT approach, patient management plans, hospital management and equipment quality measures. We have also co-founded the Proton and Heavy Ion Research Center with Soochow University in November 2020. We participate in the formulation of several national radiation therapy industry standards. In February 2022, we were chosen by the National Cancer Center of China to be one of the editors for the formulation of the latest version of the National Standard of Radiation Therapy Quality Control Guidelines. | We expect to continue to strengthen our oncology healthcare service expertise through medical research activities and collaborations. In particular, we intend to conduct more clinical research projects and fundamental medical theory and technology development projects related to proton radiation therapy and heavy ion radiation therapy, such as clinical trial of proton radiation therapy for the treatment of locally recurrent NPC. Specifically, we plan to conduct approximately 30 to 40 medical research projects, and participate in the formulation of approximately five industry standards in the next five years. | We believe engaging in medical research activities can enhance our service capacity, provide valuable learning and development prospects for our medical professionals, and promotes our brand reputation and recognition, thereby enlarging our patient base. |
| Promote brand recognition | We have been promoting our brand recognition and successfully established our reputation as an oncology healthcare service provider in China. With the opening and operation of our Guangzhou Hospital since June 2021, we have further promoted our brand reputation and recognition among patients. | We plan to continue to promote our brand by initiating or participating in various industry conferences, medical research activities and industry standards formulation. | We believe strong brand recognition and patients trust can continually attract new patients. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| | We have cooperated with MD Anderson in holding joint annual academic conferences for two consecutive years to expand our brand awareness and influence. The cumulative number of online viewers of the 2022 annual academic conference exceeded 350,000.<br><br>Our medical professionals at Guangzhou Hospital successfully conducted many difficult and complicated surgery cases, such as modified radical mastectomy for unilateral breast cancer surgery and laparoscopic radical resection in rectosigmoid colon without an adjuvant incision in the abdomen by specimen extraction through the anus (NOSES IV) surgery, receiving attention from many media, with cumulative over 70 reports featuring Guangzhou Hospital for well expanded brand recognition. | | |
| Increase the proportion of patients adopting commercial insurance billing | We have been actively promoted the commercial insurance billing for our healthcare services. During the Track Record Period, some of our medical institutions have entered into cooperation agreements with certain third-party commercial insurance providers on direct billing settlement. If the healthcare services we provide are eligible to be paid by the relevant commercial medical insurance policies, patients may make nil or partial payment with the remainder settled between us and the commercial insurance institutions directly. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, our revenue derived from direct settlement with commercial insurance providers was approximately RMB0.4 million, RMB0.9 million, RMB4.1 million, RMB1.5 million and RMB3.5 million, respectively, accounting for 0.5%, 0.6%, 1.9%, | We will continue to increase adoption of commercial insurance billing among our patients. To this end, we have set up a business expansion team for commercial insurance expansion. Specifically, the business expansion team has and will continue to discuss cooperation plans with commercial insurance companies, and increase more insurance types, such as those specifically designed for different kinds of cancer, cancer screening services, or proton therapy. In addition, we aim to have our commercial insurance plans to cover first-tier cities, such as Guangzhou and Shenzhen, and to focus on second/third-tier cities in Pearl River Delta region, such as Zhongshan, Dongguan, Foshan, Zhuhai, and Huizhou. We currently | We believe the convenient commercial insurance billing would bring more patient visits for our medical institutions. According to the F&S Report, patients adopting commercial medical insurance policies are more inclined to adopt the advanced oncology healthcare services, such as the premium proton therapy, compared to the patients adopting only public medical insurance programs. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| | 1.8% and 2.2% of our total revenue generated from our hospital business for the same periods, respectively. | cooperate with 18 insurance companies and we expect to cooperate with more leading insurance companies in China.<br><br>We expect the percentage of our revenue derived from direct settlement with commercial insurance providers of our total revenue generated from our hospital business to reach approximately 30% in 2023. | |
| Expand Patient Base to Southeast Asia market | With the relaxation of epidemic control for COVID-19 in Asia, we will actively strive to attract patients from Southeast Asia, such as Indonesia and Malaysia. We have established an administrative working group at our Guangzhou Hospital in January 2023 for international patients. | We expect the revenue contribution from international patients from the international medical center department to be accounted for approximately 5.0% of the total revenue of our Guangzhou Hospital in 2023. | We believe offering healthcare services to international patients will bring more patient visits, thereby increasing our revenue for our medical institutions. |

As we continue to implement these business initiatives, we believe our patient base will continue to grow. We believe our earlier investments have formed a solid foundation for the growth across our medical institutions. We expect our revenue generated from hospital business continues to increase in the long run.

***Medical Equipment, Software and Related Services***

Revenue generated from our medical equipment, software and related services was RMB82.8 million in 2020 and increased significantly to RMB309.3 million in 2021 as we continued to upgrade our service capabilities and step up our market education efforts. Revenue generated from our medical equipment, software and related services decreased from RMB309.3 million in 2021 to RMB253.8 million in 2022, primarily resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022. Revenue generated from our medical equipment, software and related services increased significantly from RMB60.8 million in the six months ended June 30, 2022 to RMB125.9 million in the six months ended June 30, 2023, primarily due to our business development and recovery from the impact of COVID-19 outbreaks. Under our medical equipment, software and related services, we supply our customers with medical equipment and software, management and technical support and operating lease services. The revenue generated from our medical equipment, software and related services also depends on our customer base. The number of customers for our sales and installing of medical equipment and software increased from seven in 2020 to 44 in 2021, and from 13 in the six months ended June 30, 2022 to 19 in the same period in 2023. The number of customers for our management and technical support, and operating lease increased from 16 and nine in 2020, respectively, to 33 and 17 in 2021, respectively. The number of customers for our sales and installing of medical equipment and software decreased from 44 in 2021 to 29 in 2022. The number of customers for our operating lease increased from 17 in 2021 to 21 in 2022, and from 12 in the six months ended June 30, 2022 to 16 in the same period in 2023. The number of our customers for our management and technical support remained relatively stable at 33 in 2021 and 2022, and decreased from 21 in the six months ended June 30, 2022 to 15 in the same period in 2023.

The development of oncology healthcare in China is subject to the uneven distribution of medical resources. Accordingly, medical institutions located in the lower-tier cities may lack access to quality equipment, professional talents and, mostly importantly, uniform technical standards and operational protocols. We seek to equip hospitals with radiation therapy and diagnostic imaging operational capabilities through the supply of advanced medical equipment, and we also assist them in achieving well-rounded development on medical technology and operational management. Furthermore, we have integrated our online and offline medical resources into our cloud platforms to offer various cloud-based services, which enables remote services to hospitals. We have strategically accumulated expertise and established a network of industry participants, including medical institutions, research institutes and equipment manufacturers, which laid a solid foundation for the sustainable growth of our medical equipment, software and related services.

With the increasing need to even the medical resource distribution, China's cancer treatment support service market is expected to grow from RMB7.0 billion in 2022 to RMB9.7 billion in 2026, at a CAGR of 8.6%, according to the F&S Report. In particular, the market of cloud platform services is expected to grow at a faster rate from RMB1,162.2 million in 2022 to RMB2,324.0 million in 2026, at a CAGR of 18.9%, according to the same source. As the second largest service provider in China's cancer treatment support service market in terms of the relevant revenue generated in 2022, we believe we are well positioned to continue to benefit from the market growth, leveraging our accumulated operating experience, advanced medical supplies and services.

To drive our revenue growth and achieve long-term profitability for our medical equipment, software and related services, we expect to continue to attract customers and broaden our services offering. The following table summarizes the business initiatives we have taken and plan to continue to implement going forward.

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| Enrich service offerings and upgrade cloud platforms | We have been supplying hospitals with various medical equipment and related management and technical support services for radiation therapy and diagnostic imaging. We continually supply a total of 13 major categories of medical equipment as of June 30, 2023, primarily including imaging diagnostic equipment, including those for PET/CT, MRI, CT, digital radiography, ultrasound and mammography, and radiation therapy equipment, including gamma knife system and linear accelerator.<br><br>Since early 2019, we also introduced our CSS services as a pilot program to holistically and gradually encompass all the aspects of our medical equipment, software and related services on cloud platforms. We have been enriching service offerings at our cloud platforms since the launch of our first cloud platform, Jiahe Yunying Remote Imaging Information Diagnosis Platform, in December 2020. Since then, we continually launched new cloud platforms and introduced new services with a total of five major types of services provided as of June 30, 2023, primarily including digitalized processing of diagnostic imaging results; remote consultation, radiation modeling, therapy customization and quality control; supply-chain management; and joint research, training and technical support, assisting hospitals in providing a full spectrum of cancer diagnosis and treatment services to their patients. | We expect to continually increase the offering of medical equipment including equipment for surgery, anesthesiology and other hospital departments in the next five years. To ensure the supply of high-quality medical equipment, we plan to continue our cooperation with some existing suppliers based on a holistic review of their product offerings, pricing, reputation, service, product quality and delivery schedule. We also expect to engage new suppliers for the supply of cutting-edge medical equipment when needs arise.<br><br>We expect to further upgrade our cloud platforms, primarily adding automatic target area outlining for radiation therapy, equipment control and process quality control functions, features and services in the next five years. | We believe more service offerings can attract more customers and bring more monetization opportunities. In addition, more features and service offerings on cloud platforms can increase service unit pricing. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
|---|---|---|---|
| Execute pricing strategy to achieve customer acquisition | We have developed customer acquisition strategy for our medical equipment, software and related services. Our long-term strategy is to acquire new enterprise customers and target hospitals as our end customers, by supplying them with medical equipment and assisting them in achieving well-rounded development on medical technology and operational management by providing comprehensive support services. Accordingly, we strategically promoted our medical solution at a relatively low gross margin level to acquire new enterprise customers. We constantly expand our sales and installing of medical equipment and software as we believe new business opportunities with relatively higher gross margin may continuously emerge after we begin to serve such enterprise customers. Specifically, new business opportunities may emerge along with the equipment supply, including demands for equipment repair, maintenance and upgrade, or our cloud platform services for customized and digitalized services, thereby creating strong customer stickiness for our management and technical support services on a continuous basis, due to the relatively high switching cost. Accordingly, we strategically promoted our sales and installing of medical equipment and software with fairly low price in general to acquire new customers with the purchase potential to bring recurring business opportunities such as our management and technical support services with relatively higher gross margin. For instance, we supplied head gamma knife to Rugao Bo'ai Hospital in Nantong, Jiangsu province, who has been our | We expect to continue to execute the customer acquisition strategy to expand our customer base to new geographical areas in the next five years, such as Yunnan province and Guangxi province where we have prior cooperation experience with local customers and have been conducting research on their market demands for medical equipment, comprehensive support and cloud platform services, thereby further covering areas where medical resources are relatively scarce.<br><br>We also expect to customize our sales strategy to fulfill the customer demands in our new target markets. For instance, we will consider engaging more distributors who have profound knowledge and accumulated resources of local customers. We will also consider training and deploying our own sales person in new geographical areas to better serve our customers. | We believe the execution of appropriate customer acquisition strategy enables us to explore and stimulate customers' needs in equipment acquisition, maintenance and technical support, operational management, and acquire new customers with the purchase potential to bring continuous follow-up business opportunities under our medical equipment, software and related services. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| | partnered hospital for years. We have been providing comprehensive support services for Rugao Bo'ai Hospital by undertaking the repair and maintenance of such medical equipment, providing technical training, operational guidance services and medical technology support, as well as remote radiation therapy services through our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. See "Business—Our Medical Equipment, Software and Related Services—Case Study." In addition, we have also been collaborating with a partnered hospital in Zibo, Shandong province since 2019 by providing equipment leasing of a set of linear accelerator and comprehensive support services based on such equipment. In 2021, we further expanded our services to include management and technical support services conducted through our Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform. We have been providing, among others, remote diagnostic result consultation, remote radiation therapy target delineation, radiation modeling and plan customization, and quality control services for such hospital on a regular basis. | | |
| Accumulate technological advantages | We have been focusing on honing our technological capabilities for our sales and installing of medical equipment and software as well as management and technical support services. As of the Latest Practicable Date, our cloud platform related technologies accumulated primarily include customization capability and scalability of cloud platforms to ensure seamless deployment, and our management and technical support related technologies accumulated primarily | We expect to continue to strengthen our technological advantages. We have commenced the clinical trial of our head MRI AI engine in June 2023, which will facilitate high-accuracy MRI imaging diagnosis with text and image processing capabilities. In addition, we aim to enrich our library of medical imaging-related AI algorithms and apply such AI technologies in our remote | We believe cutting-edge technology can enhance our service capacity, thereby attracting more customers to apply and purchase our services. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| | include equipment status monitoring, malfunction alert, remote radiation therapy target delineation and radiation modeling through cloud platforms. | diagnostic imaging services through our cloud platforms, to increase the efficiency and accuracy of digitalized cancer diagnosis. | |
| Promote brand recognition | We have successfully promoted our medical equipment, software and related services. In 2020, 2021, 2022 and the six months ended June 30, 2023, we served 29, 88, 77 and 47 enterprise customers under our medical equipment, software and related services, respectively. In particular, as of June 30, 2023, we served 17 partnered hospitals with cloud platform services, management and technical support, and operating lease. We have deployed our cloud platforms in hospitals of areas with relatively scarce medical resources, such as Liangshan city in Sichuan province. | In the next five years, we plan to continue to promote our brand by introducing our oncology healthcare capabilities through organizing annual industry conferences, participating in approximately 30 to 40 medical research projects, and participating in the formulation of approximately five industry standards. In addition, we plan to further enhance our brand recognition by expanding our customer base to new geographical areas, such as Yunnan province and Guangxi province, thereby further covering areas where medical resources are relatively scarce. | We believe strong brand recognition and customer trust can continually attract new customers with potential monetization opportunities. |
| Leverage synergistic effect with hospital business | Leveraging our expertise in cancer treatment and hospital operation accumulated over the years, we have served customers under medical equipment, software and related services. For example, through our cloud platforms, medical institutions in remote areas are able to access advanced oncology diagnostic and treatment ideology, techniques and experiences shared by our medical professionals. In July 2022, our physicians from Guangzhou Hospital and Shanghai Outpatient Department conducted a three-day online training and cloud platform case study session for the medical professionals from several partnered hospitals. We shared our clinical experience in precision radiation therapy, especially the remote | We plan to further provide medical institutions with scarce medical resources by connecting them with our medical professionals through our cloud platform services. In the next five years, we intend to expand our customer base to new geographical areas, such as Yunnan province and Guangxi province where we have prior cooperation experience with local customers, thereby further covering areas where medical resources are relatively scarce. | We believe the experience sharing of our self-owned medical institutions through the cloud platforms can enhance our brand awareness and attract more customers for potential monetization opportunities for our cloud-based remote oncology healthcare, supply-chain management and comprehensive technical support services across China, especially lower-tier cities. |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
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| | radiation modeling and plan customization conducted through Jiahe Feiyun Intelligent Radiation Therapy Cloud Service Platform, aiming to better serve these hospitals. As of the Latest Practicable Date, we have conducted online joint consultation, remote radiation therapy collaboration, cloud radiation therapy platform introduction sessions, training and academic discussion with over 10 hospitals located in lower-tier cities such as Fuding city in Fujian province. | | |

As we continue to implement these business initiatives, we believe our customer base will continue to grow, and we expect our revenue generated from medical equipment, software and related services to increase in the long run.

**Reducing Costs and Expenses as Percentage of Revenue**

Our ability to effectively control our cost of revenue and expenses while achieving expected business growth is critical to our profitability.

***Cost of Revenue***

Our cost of revenue consisted primarily of medical equipment and consumables costs, employee benefit expense and depreciation and amortization costs. Our cost of revenue was RMB159.0 million, RMB517.6 million, RMB614.8 million, RMB230.2 million and RMB320.2 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 95.6%, 110.0%, 130.2%, 160.0% and 112.3% of our revenue for the same periods, respectively. Our fixed cost, primarily representing employee benefit expenses, depreciation and amortization, and leasing, repair and maintenance, was RMB98.6 million, RMB238.3 million, RMB311.5 million, RMB150.3 million and RMB155.5 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 62.0%, 46.0%, 50.7%, 65.3% and 48.6% of our cost of revenue in the same periods, respectively. The increase in our fixed cost both in absolute amount and as percentage of our cost of revenue from 2021 to 2022 was primarily due to the increase in our employee benefit expenses and depreciation and amortization. Our employee benefit expenses, which represent the salaries, bonuses, pension and other social security and welfare of physicians, professional nurses and caretaking staff and other medical professionals at our medical institutions in operation, was RMB34.5 million, RMB128.9 million, RMB171.8 million, RMB79.5 million and RMB82.1 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 21.7%, 24.9%, 27.9%, 34.6% and 25.7% of our cost of revenue in the same periods, respectively. We recorded significant increase in our fixed cost, especially employee benefit expenses, during the Track Record Period, primarily in connection with the staffing preparation for our newly commenced medical institutions, primarily including Shanghai Imaging Center which commenced full operation in 2020, and Guangzhou Hospital which opened in June 2021. Considering the high demand for talents in the field of precision radiation therapy services where relevant skill and experience is scarce, we recruited in advance many key medical professionals and management personnel for precision radiation therapy, especially proton therapy, related services to be carried out for our Guangzhou Hospital. We expect such core team of medical professionals and management personnel to conduct multi-site practice to also support the operation of our Shanghai Hospital upon commencement, especially its proton center. Despite such arrangement, Shanghai Hospital may still incur substantial employee benefit expenses at a similar level of Guangzhou Hospital, or record negative gross margin to a lesser extent compared with Guangzhou Hospital, during its ramp-up period.

To effectively control the cost of revenue and expenses while achieving expected growth for our Shanghai Hospital, we will also (1) optimize its organization and staffing structure, design the employee salary to match their work performance, and train more young employees instead of having unnecessary high-paid senior positions; (2) leverage our accumulated patient base to gain pricing advantage for procuring pharmaceuticals and medical consumables; and (3) utilize our brand influence and market recognition established through our years of operation of Shanghai Outpatient Center and Shanghai Imaging Center to attract patients and accelerate the business growth of Shanghai Hospital upon commencement. We also do not expect significant increase in the staffing for our medical professionals and other supporting staff at established medical institutions after they become operational. Going forward, we will maintain the number of our medical professionals and other supporting staff at a stable level that is sufficient to support the planned scale of operations of our medical institutions. Accordingly, we expect our employee benefit expenses to remain generally stable despite the increase in patient visits at our medical institutions in operation.

The following table summarizes the business initiatives we have taken and plan to continue to implement going forward to control our cost of revenue.

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
|---|---|---|---|
| Control employee benefit expenses | The measures we have taken to control employee benefit expenses primarily include (1) optimizing organization structure and staffing structure, (2) streamlining departments and adjusting base salary to match employee performance, (3) reducing unnecessary high-paid senior positions, and (4) training more young employees. Specifically, in the first half of 2023, we conducted staff optimization with reduced subsidies to employees to control employee benefit expenses. | In the next five years, we plan to continue to control employee benefit expenses by (1) optimizing the structure of our medical professional team by cultivating junior level medical professionals for different and various types of oncology healthcare services, including screening, diagnosis, treatment and post-treatment health management at our medical institutions, (2) optimizing workflow and implementing effective performance evaluation programs to improve efficiency, and (3) maintaining a moderate growth rate of average salary of our employees at approximately 3.0% per year.<br><br>We plan to further streamline our staff structure and merge roles with similar functions to reduce costs and increase efficiency for our self-owned medical institutions. Specifically, we expect to reduce employee benefit expenses of approximately RMB21.6 million for our medical institutions in Guangzhou and approximately RMB4.5 million for our medical institutions in Shanghai in 2023. | In the long run, we believe controlling the growth rate of cost of revenue is crucial to turnaround our financial position from gross loss to gross profit. As the scale effect of our business is gradually realized, the growth rate of revenue will exceed that of cost of revenue, leading to the improvement of gross margin. |
| Control other fixed costs in relation to our existing facilities | Other fixed costs primarily include depreciation and amortization, and leasing, repair and maintenance. The measures we have taken to control such costs primarily include (1) adopting unified procurement mechanism to reduce procurement and maintenance costs, (2) monitoring utilization rate, maintenance rate, and idleness rate of equipment to make full use, and | We expect costs of depreciation and amortization, and leasing, repair and maintenance in relation to our existing facilities to remain generally stable during and after the ramp-up stage of our medical institutions. In particular, considering that large amount of investment for purchasing a comprehensive portfolio of medical equipment is typically an one-off | |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
|---|---|---|---|
| | (3) applying for deduction for leasing cost of our medical institutions according to relevant government relief policies during the COVID-19 pandemic in 2020. | event during construction phase of each medical institution, the amount of depreciation for existing medical institutions is expected to be stable in the following years and will decline to a relatively lower level after full depreciation of initial investment. In the next five years, we plan to continue to control such costs by (1) carrying out preventive maintenance to reduce equipment failure rate and control maintenance costs, (2) regularly evaluating cooperation with maintenance suppliers to optimize their service quality and pricing, and (3) continuing to closely monitoring the equipment usage and conducting periodic cost-efficiency analysis to improve utilization and reduce unnecessary procurement. | |
| Control cost of medical equipment and software and cost of pharmaceuticals, consumables and other inventories | Cost of medical equipment and software represents the cost of procuring medical equipment and software which we offer to our enterprise customers. Cost of pharmaceuticals, consumables and other inventories represents the cost of procuring pharmaceuticals and medical consumables used by our medical institutions. The measures we have taken to control such costs primarily include (1) maintaining cooperation relationship with multiple suppliers to gain pricing negotiation advantage, (2) adopting unified procurement mechanism to reduce procurement costs and benefit from bulk purchasing, and (3) conducting regular inventory check to improve utilization. Specifically, we greatly reduced the cost of medical consumables, test reagents and other consumables by replacing with other brands which are more cost-effective, and we also improved our inventory turnover days for medicine. We adopted the above strategies to improve operational efficiency and control cost of pharmaceuticals, consumables and other inventories without affecting our normal business operations. | In the next five years, we plan to continue to control such costs by (1) developing more accurate procurement budget planning for medical equipment, pharmaceuticals, consumables and other inventories based on analysis of latest market demands and operational results, with a goal to gradually reduce the expenses for pharmaceuticals and medical consumables maintained at the level of approximately 20.0% of our revenue on an annual basis, (2) adopting budge control metrics as key performance indicators into our operation management mechanism; and (3) regularly evaluating cooperation with suppliers to optimize their service quality and pricing, and procuring value-for-money medical consumables. | |

As we continue to implement these business initiatives, we believe we will effectively control the growth of our cost of revenue in the long run.

***Operating Expenses***

Our operating expenses primarily comprised selling and distribution expenses, administrative expenses, and research and development expenses. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we incurred selling and distribution expenses of RMB21.0 million, RMB50.3 million, RMB60.9 million, RMB25.9 million and RMB26.4 million, respectively, accounting for 12.7%, 10.7%, 12.9%, 18.0% and 9.2% of our revenue in the same periods, respectively. We expect selling and distribution expenses to grow along with the ramp-up of our medical institutions and our increasing efforts in promoting our medical equipment, software and related services. However, we expect it, as a percentage of our revenue, to decline as a result of our improved operating efficiency. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we incurred administrative expenses of RMB237.5 million, RMB255.3 million, RMB213.1 million, RMB100.4 million and RMB93.8 million, respectively, accounting for 142.8%, 54.3%, 45.1%, 69.8% and 32.9% of our revenue in the same periods, respectively. Our administrative expenses accounted for a significant percentage of revenue in 2020, primarily due to the significant amount of employee benefit expenses associated with the pre-opening preparation for our medical institutions opened in 2020 and 2021, primarily including Guangzhou Hospital. We expect administrative expenses, as a percentage of our revenue, to generally decline in the long run along with the opening of new medical institutions and ramping up of existing medical institutions with more revenue contribution and stable medical professional team who can support the newly opened medical institutions. In 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, we incurred research and development expenses of RMB11.3 million, RMB40.4 million, RMB41.3 million, RMB17.7 million and RMB18.5 million, respectively, accounting for 6.8%, 8.6%, 8.8%, 12.3% and 6.5% of our revenue in the same periods, respectively. We expect research and development expenses to continue to increase as we convert research and development achievements into clinical applications. However, we expect it, as a percentage of our revenue, to decline as a result of our improved operating efficiency.

The following table summarizes the business initiatives we have taken and plan to continue to implement going forward to control our operating expenses.

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
|---|---|---|---|
| Control selling and distribution expenses | The measures we have taken to control selling and distribution expenses primarily include (1) carrying out strict budget planning for marketing campaigns, (2) reviewing budget execution results in the previous years before setting up new budget plans, and (3) carrying out strict policy to control business travel activities of sales and marketing staff. | In the next five years, we plan to continue to control selling and distribution expenses by (1) prudently monitoring the growth and the necessity of new sales and marketing staff, and (2) enhancing the cost-efficiency of our marketing and promotion activities by continuing to carry out annual marketing and promotion project planning with strict budget plans, with our marketing and promotion expenses accounting for no more than approximately 10.0% of our revenue on an annual basis. | In the long run, we believe controlling the growth rate of operating expenses is crucial to turnaround our financial position from net loss to net profit. We expect the absolute amount of our operating expenses would continue to increase alongside our business growth in the future. However, as we expand the scale of our business, we expect to benefit from economies of scale to improve our operational efficiency such that the aggregate amount of our operating expenses as a percentage of our revenue are expected to decline in the near future. |
| Control administrative expenses | The measures we have taken to control administrative expenses primarily include (1) carrying out strict budget | In the next five years, we plan to continue to control administrative expenses by (1) encouraging paperless at work | |

| Business Initiatives | Implementation Status | Additional Steps | Rationale for Operating and Financial Performance Improvement |
|---|---|---|---|
| | planning to control spending for office expenses, (2) cooperating with multiple suppliers to reduce office facilities procurement costs, (3) regularly reviewing agreements with cooperated hotels to reduce accommodation costs for business travel activities, and (4) carrying out strict policy to control business travel activities of administrative staff. | and recycling of office supplies, (2) coordinating office supplies and vehicle needs to improve utilization, and (3) closely managing budget for administrative expenses and streamlining organizational structure to enhance the operational efficiency of administrative management. As we do not expect to engage for large amounts of consultancy and professional services in addition to our existing ones in the next five years, we expect that our consultancy and professional service fees would remain relatively stable, accounting for decreasing percentage of our revenue in the same periods. | |
| Control research and development expenses | We have applied for government funding to support research and development activities. | In the next five years, we plan to continue to control research and development expenses by (1) enhancing the cost-efficiency of our research and development activities by continuing to carry out annual research and development project planning with strict budget plans, and (2) continuously optimizing the structure of our research and development team by adjusting its composition, with our research and development expenses accounting for no more than approximately 7.0% of our revenue on an annual basis. | |

As we continue to implement these business initiatives, we believe we will effectively control the growth of our operating expenses in the long run.

Despite the increase in our cost of revenue and operating expenses during the Track Record Period, we believe the sustainable revenue growth from our service offerings would dilute and eventually offset increases in our cost of revenue and operating expenses, leading to profitability. We believe our cost of revenue and operating expenses are measurable and controllable and are spent in accordance with our strategies for long-term success. In particular, as the majority of our costs and expenses are related to (1) medical institution construction under hospital business and (2) sales and installing of medical equipment and software under medical equipment, software and related services, we expect to maintain high level of our cost structure until 2027, when phase II of Guangzhou Hospital is expected to become operational, and one year after the expected commencement of Shanghai Hospital in 2026 and five years after the launch of our first cloud platform. We expect the annual growth rate of our cost of revenue and operating expenses in percentage term of the revenue would slow down starting from 2025, along with the improving operational efficiency and the gradually realized economies of scale for both of our business segments. Going forward, we expect to continually evaluate and monitor the efficacy and efficiency of our cost of revenue and operating expenses.

**Interest Charge on Redeemable Capital Contribution**

Our significant finance costs and interest charge on redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, also contributed to our net loss position in the same periods. Our finance costs was RMB323.5 million, RMB435.3 million, RMB274.5 million, RMB222.5 million and RMB54.9 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 194.5%, 92.5%, 58.1%, 154.7% and 19.2% of our revenue for the same periods, respectively. Within finance costs, interest charge on redeemable capital contribution was RMB272.7 million, RMB343.6 million, RMB163.9 million, RMB163.9 million and nil in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively, representing 163.9%, 73.0%, 34.7%, 114.0% and nil of our revenue for the same periods, respectively.

Our redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, was primarily attributable to the special rights of the **[REDACTED]** Investors included in our financing arrangements, which were recorded as financial liabilities. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. See "History, Development and Corporate Structure—**[REDACTED]** Investments—Special Rights of **[REDACTED]** Investors" and Note 30 to the Accountants' Report in Appendix I to this document for details. Consequently, as of June 30, 2023, we recorded nil redeemable capital contribution and we have returned to a total equity position.

Therefore, we no longer incur interest charge on redeemable capital contribution, which is critical to our long-term profitability.

Our Directors consider that our business is sustainable despite the current loss-making, for the following reasons.

- ***Capturing the growing market demand.*** China's oncology healthcare service market and cancer treatment support service market has been growing due to strong demand with short supply of oncology medical resource. As the second largest private oncology healthcare group in China in terms of the number of self-owned or managed healthcare institutions and the number of self-owned or managed radiation therapy equipment units as of December 31, 2022 and the second largest player in China's cancer treatment support service market in terms of the relevant revenue generated in 2022, we believe we are well positioned to capitalize on the favorable industry trends and reinforce our market leadership by leveraging our professional cancer treatment technologies and physicians.

- ***Recouping significant initial investments for hospital business.*** Our hospital business is featured with significant initial investments. We incur substantial expenses before new medical institutions become operational, including construction and renovation costs, staff costs, and equipment costs, which could have a short-term negative impact on our liquidity and profitability. However, as many of such initial investments are fixed costs, which are generally not expected to continue to grow significantly, we expect the enlarging patient base and their growing spending would turn to sustainable revenue growth to dilute and eventually offset costs and expenses to reach profitability, as our medical institutions go through the ramp-up stage and become fully-fledged.

- ***Improving gross margin for medical institutions.*** We generally recorded improving gross margin for our medical institutions in Guangzhou from 2020 to 2022 and our medical institutions in Shanghai and Datong from 2020 to 2021, along with the enlarging patient base and our gradual efforts in managing these medical institutions in a cost-effective manner during the ramp-up stage. In particular, we generated gross profit from Shanghai Outpatient Center in 2021 and significantly improving gross margin for Guangzhou Hospital and Guangzhou Outpatient Center in 2022. Furthermore, we recorded improved gross margin for Guangzhou Hospital and Shanghai Outpatient Center, and achieved gross profit for Shanghai Imaging Center in the six months ended June 30, 2023 compared to the same period in 2022, along with their ramping-up and business recovery from the impact of COVID-19 outbreaks.

- ***Narrowing loss margin in 2021 and the six months ended June 30, 2023, and stable loss margin amidst COVID-19 resurgence in 2022.*** Along with the significant growth of our revenue in 2021, our net margin improved significantly from negative 355.5% in 2020 to negative 176.6% in 2021. In addition, excluding the impact of interest charge on redeemable capital contribution and **[REDACTED]** expenses, our adjusted net loss margin (non-HKFRS measure) has also begun to narrow from negative 191.6% in 2020 to negative 103.6% in 2021. Despite the impact of the COVID-19 resurgence, our net margin improved significantly from negative 176.6% in 2021 to negative 135.0% in 2022. Our adjusted net loss margin (non-HKFRS measure) remained relatively stable at negative 103.6% and negative 99.8% in the same periods, indicating our business resilience. See "— Non-HKFRS Measure" for details. Following the ramping-up of our hospital business and business recovery from the impact of COVID-19 outbreaks, our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the same period in 2023, and our net margin also improved significantly from negative 288.6% to negative 75.1% in the same periods. Our adjusted net loss margin (non-HKFRS measure) also narrowed from negative 173.9% in the six months ended June 30, 2022 to negative 75.1% in the same period in 2023.

- ***Benefiting from customer acquisition strategy for medical equipment, software and related services.*** For our medical equipment, software and related services, our long-term strategy is to acquire new enterprise customers and target hospitals as our end customers, by supplying them with medical equipment and assisting them in achieving well-rounded development on medical technology and operational management by providing comprehensive support services. Accordingly, we strategically promoted our sales and installing of medical equipment and software at a relatively low gross margin level to acquire new enterprise customers with the purchase potential to bring recurring business opportunities. Specifically, new business opportunities may emerge along with the equipment supply, including demands for equipment repair, maintenance and upgrade, or our cloud platform services for customized and digitalized services, thereby creating strong customer stickiness for our management and technical support services on a continuous basis, due to the relatively high switching cost. Along with the implementation of our customer acquisition strategy, we expect to improve the gross margin for our sales and installing of medical equipment and software as well as management and technical support services to monetize the enlarging customer base.

- ***Implementing multiple business initiatives.*** As discussed above, we have formulated and begun to implement specific strategies and concrete plans to improve our profitability, such as various business initiatives to expand patient and customer base and stimulate their spending with us, and continuous improvement of our operating efficiency and cost structure through structure optimization and budget planning.

- ***Elimination of interest charge on redeemable capital contribution.*** As our redeemable capital contribution has been transferred from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments, we recorded nil redeemable capital contribution as of June 30, 2023, and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. As a result, we expect to greatly improve our net loss position, as the interest charge on redeemable capital contribution had significant negative impact on our profitability during the Track Record Period.

Based on the foregoing, our Directors are of the view that our business is sustainable despite the current loss-making. Upon considering the foregoing and after conducting relevant due diligence work, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the Director's view that our business is sustainable.

The foregoing 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. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. See "Risk Factors—Risks Relating to Our Business and Industry—We have incurred net loss, net cash used in operating activities, net current liabilities and total deficit in the past, and we may not be able to achieve or maintain profitability" and "Risk Factors—Risks Relating to the **[REDACTED]**—Forward-looking statements contained in this document are subject to risks and uncertainties."

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

### Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

***Revenue***

Our revenue increased by 98.3% from RMB143.8 million in the six months ended June 30, 2022 to RMB285.2 million in the six months ended June 30, 2023.

- *Hospital business.* Our revenue generated from our medical institutions increased by 91.9% from RMB83.0 million in the six months ended June 30, 2022 to RMB159.3 million in the six months ended June 30, 2023, as we continued to grow our hospital business with the ramping up of our existing medical institutions, especially Guangzhou Hospital and our medical institutions in Shanghai along with their business recovery from the impact of COVID-19 outbreaks. In particular, we experienced (1) an increase in inpatient and outpatient visits for our medical institutions from 1,282 and 25,189 in the six months ended June 30, 2022, respectively, to 1,757 and 41,810 in the same period in 2023, respectively, and (2) an increase in the average spending per inpatient visit and per outpatient visit from RMB20,582.5 and RMB2,239.9 in the six months ended June 30, 2022, respectively, to RMB24,146.6 and RMB2,794.4, respectively in the same period in 2023.

- *Medical equipment, software and related services.* Our revenue generated from our medical equipment, software and related services increased significantly from RMB60.8 million in the six months ended June 30, 2022 to RMB125.9 million in the six months ended June 30, 2023.

  – *Sales and installing of medical equipment and software.* Our revenue generated from sales and installing of medical equipment and software increased significantly from RMB27.1 million in the six months ended June 30, 2022 to RMB104.3 million in the six months ended June 30, 2023, primarily due to our business development with enhanced marketing education efforts and recovery from the impact of the COVID-19 outbreaks, especially the travel restrictions on the logistics for large-scale medical equipment delivery, installation and acceptance, as evidenced by an increase in the number of customers for our sales and installing of medical equipment and software from 13 to 19 in the same periods.

  – *Management and technical support.* Our revenue generated from management and technical support decreased by 46.5% from RMB22.5 million in the six months ended June 30, 2022 to RMB12.0 million in the six months ended June 30, 2023, primarily due to (1) expiration of agreements in 2022 with the collected contract sums totaling RMB6.4 million in the six months ended June 30, 2022 with three management and technical support customers who were generally large-sized public hospitals in lower-tier cities in China, which we did not renew in 2023 considering that they have achieved their goals to improve their medical and operational capabilities benefited from our years of comprehensive support, and (2) the decrease in revenue generated from our software development services as we had less ongoing software development projects. We will pursue to enter into new service agreements with such previous customers as well as new customers to provide customized services based on their current demands, such as cloud platform services, software development services and healthcare consultation services through Internet Hospital.

  – *Operating lease.* Our revenue generated from operating lease decreased by 14.6% from RMB11.2 million in the six months ended June 30, 2022 to RMB9.6 million in the six months ended June 30, 2023, primarily due to the expiration of agreements with four operating lease customers in 2022, which we did not renew in 2023 because we strategically focused on expanding our sales and installing of medical equipment and software as well as management and technical support services.

***Cost of Revenue***

Our cost of sales increased by 39.1% from RMB230.2 million in the six months ended June 30, 2022 to RMB320.2 million in the six months ended June 30, 2023, primarily due to (1) an increase of RMB68.7 million in cost of medical equipment and software, driven by the growth of our sales and installing of medical equipment and software, and (2) an increase of RMB15.0 million in cost of pharmaceuticals, consumables and other inventories, driven by the ramping up of our existing medical institutions and an increase in the number of patient visits.

- *Hospital business.* Our cost of revenue in relation to medical institutions increased by 12.9% from RMB179.8 million in the six months ended June 30, 2022 to RMB203.0 million in the six months ended June 30, 2023, primarily due to (1) an increase in cost of pharmaceuticals, consumables and other inventories, driven by the ramping up of our existing medical institutions and an increase in the number of patient visits, and (2) an increase in the depreciation and amortization, driven by an increase in the number of medical equipment used in our medical institutions.

- *Medical equipment, software and related services.* Our cost of revenue in relation to our medical equipment, software and related services increased significantly from RMB50.4 million in the six months ended June 30, 2022 to RMB117.2 million in the six months ended June 30, 2023.

  – *Sales and installing of medical equipment and software.* Our cost of revenue in relation to sales and installing of medical equipment and software increased significantly from RMB26.3 million in the six months ended June 30, 2022 to RMB94.9 million in the six months ended June 30, 2023, primarily due to an increase in the cost of medical equipment and software, generally consistent with the growth in our sales volume in the same period.

  – *Management and technical support.* Our cost of revenue in relation to management and technical support decreased by 7.4% from RMB15.2 million in the six months ended June 30, 2022 to RMB14.1 million in the six months ended June 30, 2023, primarily driven by the decrease in variable cost which was consistent with revenue generated from management and technical support.

  – *Operating lease.* Our cost of revenue in relation to operating lease remained relatively stable at RMB8.9 million in the six months ended June 30, 2022 and RMB8.1 million in the six months ended June 30, 2023.

***Gross Profit/(Loss) and Gross Margin***

As a result of the foregoing, our gross loss decreased by 59.5% from RMB86.4 million in the six months ended June 30, 2022 to RMB35.0 million in the six months ended June 30, 2023, with the corresponding gross margin of negative 60.1% and negative 12.3%, respectively.

- *Hospital business.* Our gross margin for medical institutions increased from negative 116.6% in the six months ended June 30, 2022 to negative 27.5% in the six months ended June 30, 2023, primarily because we continued to grow our hospital business with the ramping up of our existing medical institutions and their business recovery from the impact of COVID-19 outbreaks while maintained relatively stable fixed cost. In particular, we recorded improved gross margin for Guangzhou Hospital and Shanghai Outpatient Center, and achieved gross profit for Shanghai Imaging Center in the six months ended June 30, 2023 compared to the same period in 2022, which are our three largest medical institutions in terms of revenue contribution, along with the general increase in their patient visits and average spendings per patient visit.

- *Medical equipment, software and related services.* Our gross margin for our medical equipment, software and related services decreased from 17.1% in the six months ended June 30, 2022 to 6.9% in the six months ended June 30, 2023 primarily driven by the decrease in gross margin for management and technical support.

  – *Sales and installing of medical equipment and software.* Our gross margin for sales and installing of medical equipment and software increased from 3.1% in the six months ended June 30, 2022 to 9.0% in the six months ended June 30, 2023, primarily because we supplied more large-scale medical equipment with relatively higher gross margin in the six months ended June 30, 2023, along with our business development and recovery from the impact of the COVID-19 travel restrictions on the logistics for large-scale medical equipment delivery, installation and acceptance.

– *Management and technical support.* Our gross margin for our management and technical support decreased from 32.2% in the six months ended June 30, 2022 to negative 17.3% in the six months ended June 30, 2023, primarily due to the expiration of agreements with certain management and technical support customers and less ongoing software development projects for our software development services which resulted in the decrease in our revenue generated from management and technical support, while we still incurred relatively stable fixed costs such as employee benefit expenses and depreciation and amortization for our management and technical support.

– *Operating lease.* Our gross margin for operating lease decreased from 20.9% in the six months ended June 30, 2022 to 15.1% in the six months ended June 30, 2023, primarily due to the decrease in our revenue generated from operating lease resulting from the expiration of agreements with certain operating lease customers, while we still incurred relatively stable fixed costs such as employee benefit expenses and depreciation and amortization for operating lease.

***Selling and Distribution Expenses***

Our selling and distribution expenses remained relatively stable at RMB25.9 million for the six months ended June 30, 2022 and RMB26.4 million for the six months ended June 30, 2023.

***Administrative Expenses***

Our administrative expenses decreased by 6.5% from RMB100.4 million for the six months ended June 30, 2022 to RMB93.8 million for the six months ended June 30, 2023, primarily due to (1) a decrease of RMB8.6 million in employee benefit expenses as a result of the decreased headcount of our administrative staff and medical professionals in 2023 as part of our efforts to streamline organizational structure and control operating expenses, and (2) a decrease of RMB4.5 million in leasing, repair and maintenance as a result of the termination of a lease for the property used as administration office as part of our efforts to control operating expenses.

***Research and Development Expenses***

Our research and development expenses remained relatively stable at RMB17.7 million for the six months ended June 30, 2022 to RMB18.5 million for the six months ended June 30, 2023.

***Other Income and other Gains, Net***

We recorded other income and other net gains of RMB11.3 million for the six months ended June 30, 2023, compared to other income and other net gains of RMB34.6 million for the six months ended June 30, 2022, primarily due to a decrease of RMB28.2 million of reversal of impairment loss on amounts due from related parties as a result of the decreased balance of amounts due from related parties due to the settlement of consideration for the transfer of equity interest in Beijing Century Friendship during the six months ended June 30, 2022.

***Finance Costs***

Our finance costs decreased by 75.3% from RMB222.5 million for the six months ended June 30, 2022 to RMB54.9 million for the six months ended June 30, 2023, primarily due to a decrease of RMB163.9 million in interest charge on redeemable capital contribution as a result of the transfer of redeemable capital contribution from liabilities to equity upon the termination of the special rights of the **[REDACTED]** Investors.

***Income Tax Credit***

Our income tax credit increased by 31.7% from RMB3.1 million for the six months ended June 30, 2022 to RMB4.1 million for the six months ended June 30, 2023, which was primarily due to the increasing recognition of deferred tax credit as a result of increase in depreciation of right-of-use assets and interest charge on lease liabilities arising from the addition of new lease agreements in 2023.

***Loss for the Period***

Our net loss decreased by 48.3% from RMB415.1 million in the six months ended June 30, 2022 to RMB214.3 million in the same period in 2023, due to (1) a decrease of RMB167.6 million in finance costs, and

(2) a decrease of RMB51.4 million in gross loss, partially offset by a decrease of RMB23.3 million in other income and other net gains, with all the reasons discussed foregoing. Our net margin was negative 288.6% and negative 75.1% in the same periods, respectively.

***Adjusted Net Loss (Non-HKFRS measure)***

We used adjusted net loss (non-HKFRS measure), a non-HKFRS measure, to supplement our consolidated financial statements. We recognized adjusted net loss (non-HKFRS measure) of RMB250.1 million and RMB214.0 million in the six months ended June 30, 2022 and 2023, respectively, representing an adjusted net loss margin (non-HKFRS measure) of negative 173.9% and negative 76.6%, respectively. See "—Non- HKFRS Measures" for a reconciliation of our loss for the period to our adjusted net loss (non-HKFRS measure).

**Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

***Revenue***

Our revenue increased by 0.4% from RMB470.5 million in 2021 to RMB472.2 million in 2022.

- *Hospital business.* Our revenue generated from our medical institutions increased by 35.5% from RMB161.2 million in 2021 to RMB218.4 million in 2022, primarily due to the ramping up of our existing medical institutions, especially Guangzhou Hospital which only started to generate revenue since June 2021, partially offset by the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai. In particular, we experienced (1) an increase in inpatient and outpatient visits for our medical institutions from 778 and 50,622 in 2021, respectively, to 2,999 and 63,119 in 2022, respectively, and (2) an increase in the average spending per inpatient visit from RMB11,820.9 in 2021 to RMB21,888.7 in 2022.

- *Medical equipment, software and related services.* Our revenue generated from our medical equipment, software and related services decreased by 18.0% from RMB309.3 million in 2021 to RMB253.8 million in 2022.

  – *Sales and installing of medical equipment and software.* Our revenue generated from sales and installing of medical equipment and software decreased by 17.7% from RMB217.6 million in 2021 to RMB179.2 million in 2022, primarily resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022.

  – *Management and technical support.* Our revenue generated from management and technical support decreased by 17.8% from RMB64.6 million in 2021 to RMB53.1 million in 2022, primarily due to expiration or early termination of agreements with the collected contract sums totaling RMB12.0 million in 2022 with three management and technical support customers who were generally large-sized public hospitals in lower-tier cities in China in 2022, which we did not renew considering that they have achieved their goals to improve their medical and operational capabilities benefited from our years of comprehensive support. We will pursue to enter into new service agreements with such previous customers as well as new customers to provide customized services based on their current demands, such as cloud platform services, software development services and healthcare consultation services through Internet Hospital.

  – *Operating lease.* Our revenue generated from operating lease decreased by 20.8% from RMB27.2 million in 2021 to RMB21.5 million in 2022, primarily due to (1) the expiration of agreements with four operating lease customers in 2022, which we did not renew upon expiry because we strategically focused on expanding our sales and installing of medical equipment and software as well as management and technical support services, and (2) a decrease in the revenue generated from our contracted percentage fee model with our partnered hospitals due to their limited service capacity and patient base amid the regional resurgence of COVID-19 in the same period, partially offset by the revenue generated from our new operating lease customers in 2022.

*Cost of Revenue*

Our cost of revenue increased by 18.8% from RMB517.6 million in 2021 to RMB614.8 million in 2022, primarily due to (1) an increase of RMB42.9 million in employee benefit expenses, primarily in connection with the operation of Guangzhou Hospital, (2) an increase of RMB35.2 million in depreciation and amortization resulting from the depreciation and amortization of medical equipment and properties used at our medical institutions, and (3) an increase of RMB28.4 million in cost of pharmaceuticals, consumables and other inventories, generally consistent with the growth of our medical institutions, partially offset by a decrease of RMB12.2 million in cost of medical equipment and software resulting from the less procurement for our sales and installing of medical equipment and software along with the delay in logistics for delivery and supply of medical equipment as a result of less frequent transportation amid the regional resurgence of COVID-19 pandemic in 2022.

- *Hospital business.* Our cost of revenue in relation to medical institutions increased by 41.6% from RMB276.2 million in 2021 to RMB391.0 million in 2022, primarily due to (1) an increase in the employee benefit expenses of RMB44.2 million for our physicians, professional nurses and caretaking staff, and other medical professionals at our Guangzhou Hospital after it has become operational since June 2021, and such expenses were previously recorded as administrative expenses prior to the opening, (2) an increase in the depreciation and amortization, driven by an increase in the number of medical equipment used in our medical institutions, and (3) an increase in the cost of pharmaceuticals, consumables and other inventories utilized by our medical institutions, driven by the ramping up of our existing medical institutions and an increase in the number of patient visits.

- *Medical equipment, software and related services.* Our cost of revenue in relation to our medical equipment, software and related services decreased by 7.3% from RMB241.5 million in 2021 to RMB223.8 million in 2022.

  – *Sales and installing of medical equipment and software.* Our cost of revenue in relation to sales and installing of medical equipment and software decreased by 16.9% from RMB199.5 million in 2021 to RMB165.7 million in 2022, primarily due to a decrease in the cost of medical equipment and software resulting from the less procurement along with the delay in logistics for delivery and supply of medical equipment as a result of less frequent transportation amid the regional resurgence of COVID-19 pandemic in 2022.

  – *Management and technical support.* Our cost of revenue in relation to management and technical support increased by 78.3% from RMB21.7 million in 2021 to RMB38.7 million in 2022, primarily due to an increase in the headcount for our staff responsible for offering software development services, healthcare consultation services and other remote services to serve the business expansion.

  – *Operating lease.* Our cost of revenue in relation to operating lease remained relatively stable at RMB20.3 million and RMB19.4 million in 2021 and 2022, respectively.

*Gross Profit/(Loss) and Gross Margin*

As a result of the foregoing, we recorded gross loss of RMB47.1 million and RMB142.6 million in 2021 and 2022, respectively, with the corresponding gross margin of negative 10.0% and negative 30.2%, respectively.

- *Hospital business.* Our gross margin for medical institutions decreased from negative 71.4% in 2021 to negative 79.0% in 2022, primarily due to (1) the decrease in revenue generated from Shanghai Outpatient Center and Shanghai Imaging Center, because of the temporary closure in the second quarter of 2022 amid the regional resurgence of COVID-19 in Shanghai, and (2) the increases in employee benefit expenses, depreciation and amortization, and cost of pharmaceuticals consumables and other inventories incurred during the ramp-up stage associated with the operation of our other medical institutions in 2022, primarily including Guangzhou Hospital.

- *Medical equipment, software and related services.* Our gross margin for our medical equipment, software and related services decreased from 21.9% in 2021 to 11.8% in 2022.

– *Medical solution.* Our gross margin for sales and installing of medical equipment and software decreased from 8.3% in 2021 to 7.5% in 2022, primarily due to the decrease in revenue generated from sales and installing of medical equipment and software, resulting from the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment that generally has relatively higher gross margin, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022.

– *Management and technical support.* Our gross margin for management and technical support decreased from 66.4% in 2021 to 27.2% in 2022. In order to provide more enterprise customers with our remote services, in the second half of 2021, we began to provide (1) software development services with a relatively lower gross margin compared to our comprehensive support service for large-scale medical equipment, which is in line with industry standard, and (2) healthcare consultation services through Internet Hospital with relatively large staff costs and low gross margin in early development stage. In addition, our comprehensive support service agreements with three management and technical support customers expired in 2022, which we did not renew upon expiry considering that they have achieved their goals to improve their medical and operational capabilities benefited from our years of comprehensive support.

– *Operating lease.* Our gross margin for operating lease decreased from 25.4% in 2021 to 9.8% in 2022, primarily due to a decrease in the revenue generated from our contracted percentage fee model with our partnered hospitals due to their limited service capacity and patient base amid the regional resurgence of COVID-19 in 2022, while our cost for providing such services remained relatively stable.

***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 21.1% from RMB50.3 million in 2021 to RMB60.9 million in 2022, primarily due to (1) an increase of RMB7.8 million in employee benefit expense as a result of the expansion in our sales and marketing team from 45 sales and marketing staff as of December 31, 2021 to 61 as of December 31, 2022, driven by the marketing demands of our Guangzhou Hospital as it has become operational since June 2021, (2) an increase of RMB2.7 million in office, travel and miscellaneous expenses and an increase of RMB0.6 million in marketing and promotion expenses, as a result of our increased marketing activities relating to Guangzhou Hospital as it has become operational since June 2021 and our Internet Hospital for its business expansion after its launch in May 2021.

***Administrative Expenses***

Our administrative expenses decreased by 16.5% from RMB255.3 million in 2021 to RMB213.1 million in 2022, primarily due to (1) a decrease of RMB23.8 million in employee benefit expenses, primarily because we recorded certain employee benefit expenses related to medical professionals of our Guangzhou Hospital to cost of revenue, as it has become operational since June 2021, and (2) a decrease of RMB10.0 million in consultancy and professional service fees, as a result of discontinuation of certain consultancy and professional services in 2022.

***Research and Development Expenses***

Our research and development expenses increased by 2.3% from RMB40.4 million in 2021 to RMB41.3 million in 2022, primarily due to (1) an increase of RMB1.4 million in utilities and office expenses along with our research and development activities, and (2) an increase of RMB0.4 million in design and development expenses, driven by our enhanced efforts in developing our digitalized systems, partially offset by a decrease of RMB1.0 million in employee benefit expense as a result of our efficiency optimization efforts.

***Other Income and Other Gains, Net***

We recorded other income and other net gains of RMB85.4 million in 2022, compared to other income and other net losses of RMB7.8 million in 2021, primarily because we recorded (1) one-off compensation income of RMB50.0 million in 2022 as damages received for the proton equipment in relation to an arbitration proceeding of Beijing Century Friendship, and (2) provision for impairment loss on trade receivables of RMB19.6 million in 2022, as a result of the decreasing balance of amounts due from related parties, driven by our enhanced settlement efforts.

### *Finance Costs*

Our finance costs decreased by 36.9% from RMB435.3 million in 2021 to RMB274.5 million in 2022, primarily due to a decrease of RMB179.7 million in interest charge on redeemable capital contribution as a result of the transfer of redeemable capital contribution from liabilities to equity upon the termination of the special rights of the **[REDACTED]** Investors.

### *Income Tax Credit*

Our income tax credit increased by 91.2% from RMB5.2 million in 2021 to RMB9.9 million in 2022, which was primarily due to the increasing of recognition of deferred tax credit as a result of increase in depreciation of right-of-use assets and interest charge on lease liabilities arising from addition of the new lease agreements in 2022.

### *Loss for the Period*

Our net loss decreased by 23.3% from RMB831.1 million in 2021 to RMB637.2 million in 2022, primarily due to (1) a decrease of RMB160.8 million in finance costs, (2) other income and other net gains of RMB85.4 million in 2022 compared to the other income and other net losses of RMB7.8 million in 2021, (3) a decrease of RMB42.1 million in administrative expenses, partially offset by (i) an increase of RMB95.5 million in gross loss, and (ii) an increase of RMB10.6 million in selling and distribution expenses, in the same periods, with all the reasons discussed foregoing. Our net margin was negative 176.6% and negative 135.0% in the same periods, respectively.

### *Adjusted Net Loss (Non-HKFRS measure)*

We used adjusted net loss (non-HKFRS measure), a non-HKFRS measure, to supplement our consolidated financial statements. We recognized adjusted net loss (non-HKFRS measure) of RMB487.6 million and RMB471.2 million in 2021 and 2022, respectively, representing an adjusted net loss margin (non-HKFRS measure) of negative 103.6% and negative 99.8%, respectively. See "—Non-HKFRS Measures" for a reconciliation of our loss for the period to our adjusted net loss (non-HKFRS measure).

## Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

### *Revenue*

Our revenue increased significantly from RMB166.3 million in 2020 to RMB470.5 million in 2021.

- *Hospital business.* Our revenue generated from our medical institutions increased by 93.0% from RMB83.5 million in 2020 to RMB161.2 million in 2021, primarily due to (1) the ramping up of our existing medical institutions, and (2) the opening of new medical institutions including Guangzhou Hospital, Shanghai GP Clinic, and the Internet Hospital. In particular, we experienced (i) an increase in inpatient and outpatient visits for our medical institutions from 491 and 27,713 in 2020, respectively, to 778 and 50,622 in 2021, respectively, and (ii) an increase in the average spending per inpatient visit and per outpatient visit from RMB11,511.8 and RMB2,809.6 in 2020, respectively, to RMB11,820.9 and RMB3,001.5 in 2021, respectively.

- *Medical equipment, software and related services.* Our revenue generated from our medical equipment, software and related services increased significantly from RMB82.8 million in 2020 to RMB309.3 million in 2021.

  – *Sales and installing of medical equipment and software.* Our revenue generated from sales and installing of medical equipment and software increased significantly from RMB26.1 million in 2020 to RMB217.6 million in 2021, primarily due to an upgrade of our service capabilities and a step-up of our market education efforts for our sales and installing of medical equipment and software in 2021, which resulted in an increase in the number of customers for our sales and installing of medical equipment and software from seven in 2020 to 44 in 2021. In 2021, we greatly expanded our customer base for sales and installing of medical equipment and software primarily through (1) our efforts in establishing a strong and mature customer acquisition team, (2) our enhanced marketing efforts in actively organizing or participating national, provincial, or municipal radiotherapy or imaging academic or industry conferences, and (3) our upgrades for our cloud platforms to meet varying customer needs. In addition, we established strong customer acquisition team with experience in the customer acquisition for our sales and installing of medical equipment and software. Our customer acquisition team expanded from 37 personnel as of December 31, 2020 to 47 as of December 31, 2021.

– *Management and technical support.* Our revenue generated from management and technical support increased by 73.9% from RMB37.2 million in 2020 to RMB64.6 million in 2021, primarily due to an upgrade of our service capabilities and a step-up of our market education efforts for our management and technical support in 2021, including the health management services provided by our Internet Hospital to enterprise customers, which resulted in an increase in the number of our management and technical support customers from 16 in 2020 to 33 in 2021.

– *Operating lease.* Our revenue generated from operating lease increased by 39.1% from RMB19.5 million in 2020 to RMB27.2 million in 2021, primarily due to an increase in the installment payments we received under our operating lease agreements in 2021, which resulted in an increase in the number of our operating lease customers from nine in 2020 to 17 in 2021.

***Cost of Revenue***

Our cost of revenue increased significantly from RMB159.0 million in 2020 to RMB517.6 million in 2021, primarily due to (1) an increase of RMB171.5 million in cost of medical equipment and software, driven by the growth of our sales and installing of medical equipment and software, (2) an increase of RMB94.5 million in employee benefit expenses, driven by the staffing preparation associated with the opening of Guangzhou Hospital in June 2021, and (3) an increase of RMB36.8 million in cost of pharmaceuticals, consumables and other inventories, generally consistent with the growth of our medical institutions.

• *Hospital business.* Our cost of revenue in relation to medical institutions increased significantly from RMB123.1 million in 2020 to RMB276.2 million in 2021, primarily due to (1) an increase in the employee benefit expenses as a result of an increase in the headcount of our physicians, professional nurses and caretaking staff, and other medical professionals at our offline medical institutions in operation, from 132 as of December 31, 2020 to 407 as of December 31, 2021. In particular, there was an increase of employee benefit expenses of RMB69.6 million for our physicians, professional nurses and caretaking staff, and other medical professionals at our Guangzhou Hospital after it has become operational since June 2021, and such expenses were previously recorded as administrative expenses prior to the opening of Guangzhou Hospital, (2) an increase in the cost of pharmaceuticals, consumables and other inventories utilized by our medical institutions, driven by the ramping up of our existing medical institutions and the opening of new medical institutions in 2021, primarily including Guangzhou Hospital, and the increase in the number of patient visits, (3) an increase in depreciation and amortization, driven by an increase in the number of medical equipment used in our medical institutions, along with the opening of new medical institutions in 2021, primarily including Guangzhou Hospital, and (4) an increase in the leasing, repair and maintenance costs associated with the opening of new medical institutions in 2021, primarily including Guangzhou Hospital.

• *Medical equipment, software and related services.* Our cost of revenue in relation to our medical equipment, software and related services increased significantly from RMB35.8 million in 2020 to RMB241.5 million in 2021.

– *Sales and installing of medical equipment and software.* Our cost of revenue in relation to sales and installing of medical equipment and software increased significantly from RMB16.8 million in 2020 to RMB199.5 million in 2021, primarily due to an increase in the cost of medical equipment and software, generally consistent with the growth in our sales volume in 2021.

– *Management and technical support.* Our cost of revenue in relation to management and technical support increased significantly from RMB4.6 million in 2020 to RMB21.7 million in 2021, primarily due to an increase in the headcount for our staff responsible for offering equipment management, technical training, operational guidance services and medical technology support to serve the business expansion.

– *Operating lease.* Our cost of revenue in relation to operating lease increased by 41.1% from RMB14.4 million in 2020 to RMB20.3 million in 2021, generally consistent with our business growth.

***Gross Profit/(Loss) and Gross Margin***

As a result of the foregoing, we recorded gross profit of RMB7.4 million and gross loss of RMB47.1 million in 2020 and 2021, respectively. Our gross margin was 4.4% and negative 10.0% in 2020 and 2021, respectively.

- *Hospital business.* Our gross margin for medical institutions decreased from negative 47.5% in 2020 to negative 71.4% in 2021, primarily due to the significant increases in employee benefit expenses, cost of pharmaceuticals consumables and other inventories, leasing, repair and maintenance costs, and the operation cost incurred during the ramp-up stage associated with the opening of our Guangzhou Hospital in 2021. Considering the high demand for talents in the field of precision radiation therapy services where relevant skill and experience is scarce, we recruited in advance many key medical professionals and management personnel for precision radiation therapy, especially proton therapy, related services to be carried out for our Guangzhou Hospital. Accordingly, we incurred relevant significant employee benefit expenses in cost of revenue for our Guangzhou Hospital. We expect such core team of medical professionals and management personnel to also conduct multi-site practice to support the operation of our Shanghai Hospital upon commencement, especially its proton center. As Guangzhou Hospital also incurred other costs while only generating revenue of RMB11.5 million during its early ramp-up stage in 2021, it recorded significant gross loss, leading to a declining gross margin for our hospital business in 2021.

- *Medical equipment, software and related services.* Our gross margin for our medical equipment, software and related services decreased from 56.7% in 2020 to 21.9% in 2021.

  – *Medical solution.* Our gross margin for sales and installing of medical equipment and software decreased from 35.7% in 2020 to 8.3% in 2021. Our long-term strategy is to acquire new enterprise customers and target hospitals as our end customers, by supplying them with medical equipment and assisting them in achieving well-rounded development on medical technology and operational management by providing comprehensive support services. Accordingly, we strategically promoted our sales and installing of medical equipment and software at a relatively low gross margin level to acquire new enterprise customers. We constantly expand our sales and installing of medical equipment and software business as we believe new business opportunities with relatively higher gross margin may continuously emerge after we begin to serve such enterprise customers. Specifically, new business opportunities may emerge along with the equipment supply, including demands for equipment repair, maintenance and upgrade, or our cloud platform services for customized and digitalized services, thereby creating strong customer stickiness for our management and technical support services on a continuous basis, due to the relatively high switching cost. Accordingly, we strategically promoted our sales and installing of medical equipment and software with fairly low price in general to acquire new customers with the purchase potential to bring continuous follow-up business opportunities such as our management and technical support services with relatively higher gross margin.

  – *Management and technical support.* Our gross margin for management and technical support decreased from 87.5% in 2020 to 66.4% in 2021. In order to provide more enterprise customers with our remote services, in the second half of 2021, we began to provide (1) software development services with a relatively lower gross margin compared to our comprehensive support service for large-scale medical equipment, which is in line with industry standard, and (2) healthcare consultation services through Internet Hospital with relatively large staff costs and low gross margin in early development stage. In addition, our comprehensive support service agreements with six management and technical support customers expired in 2021, which we did not renew upon expiry considering that they have achieved their goals to improve their medical and operational capabilities benefited from our years of comprehensive support.

– *Operating lease.* Our gross margin for operating lease remained relatively stable at 26.4% and 25.4% in 2020 and 2021, respectively.

***Selling and Distribution Expenses***

Our selling and distribution expenses increased significantly from RMB21.0 million in 2020 to RMB50.3 million in 2021, primarily due to (1) an increase of RMB12.7 million in marketing and promotion expenses and an increase of RMB4.8 million in office, travel and miscellaneous expenses as a result of increased sales and traveling activities upon the effective containment of the COVID-19 pandemic in 2021, and (2) an increase of RMB11.4 million in employee benefit expense as a result of the expansion in our sales and marketing team from 13 sales and marketing staff as of December 31, 2020 to 45 as of December 31, 2021, driven by (i) a step-up of our market education efforts to promote our medical equipment, software and related services, and (ii) the acquisition of Beijing Healthingkon in August 2021.

***Administrative Expenses***

Administrative expenses increased by 7.5% from RMB237.5 million in 2020 to RMB255.3 million in 2021, primarily due to (1) an increase of RMB14.6 million in office, travel and miscellaneous expenses, (2) an increase of RMB8.0 million in leasing, repair and maintenance, and (3) an increase of RMB6.8 million in depreciation and amortization, associated with the pre-opening preparation for our Guangzhou Hospital, Shanghai GP Clinic and Datong Clinic in 2021, partially offset by (i) a decrease of RMB7.5 million in consultancy and professional service fees, as a result of discontinuation of certain consultancy and professional services in 2021, and (ii) a decrease of RMB5.4 million in employee benefit expenses, primarily because we recorded certain employee benefit expenses of our medical institutions in operation to our cost of revenue as Guangzhou Hospital has become operational since June 2021, partially offset by certain increase in employee benefit expenses, associated with the pre-opening preparation of our Shanghai Hospital in 2021.

***Research and Development Expenses***

Our research and development expenses increased significantly from RMB11.3 million in 2020 to RMB40.4 million in 2021, primarily due to (1) an increase of RMB26.0 million in employee benefit expense as a result of the expansion in our research and development team from 23 research and development staff as of December 31, 2020 to 62 as of December 31, 2021, and (2) an increase of RMB2.5 million in design and development expenses, driven by our enhanced efforts in developing our cloud platforms and other services.

***Other Income and Other Losses, Net***

We recorded other income and other net losses of RMB7.8 million in 2021, compared to other income and other net losses of RMB11.8 million in 2020, primarily due to gain on disposal of a subsidiary of the RMB30.0 million we recognized in 2021, resulting from the disposal of our equity interest in Beijing Century Friendship, partially offset by an increase of RMB29.6 million in provision for impairment of amounts due from related parties, which was derived using general approach of expected credit loss model and is non-cash in nature.

***Finance Costs***

Our finance costs increased by 34.6% from RMB323.5 million in 2020 to RMB435.3 million in 2021, primarily due to (1) an increase of RMB70.9 million in interest charge on redeemable capital contribution, representing the increasing interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements along with our increasing financing activities in 2021, and (2) an increase of RMB40.4 million in interest charge on bank and other borrowings, along with our enhanced financing efforts to accommodate the increased capital expenditures used for the expansion of our hospital business. See "—Indebtedness—Redeemable Capital Contribution."

***Income Tax Credit***

Our income tax credit decreased by 19.5% from RMB6.5 million in 2020 to RMB5.2 million in 2021, which was primarily due to the decreasing of recognition of deferred tax credit as a result of drop in depreciation of right-of-use assets and interest charge on lease liabilities arising from the lease modification in 2021.

***Loss for the Year***

Our net loss increased by 40.6% from RMB591.3 million in 2020 to RMB831.1 million in 2021, primarily due to (1) an increase of RMB111.8 million in finance costs, (2) the gross loss of RMB47.1 million in 2021, compared to the gross profit of RMB7.4 million in 2020, (3) an increase of RMB29.3 million in selling and distribution expenses, (4) an increase of RMB29.1 million in research and development expenses, and (5) an increase of RMB17.8 million in administrative expenses, with all the reasons discussed foregoing. Our net margin was negative 355.5% and negative 176.6% in 2020 and 2021, respectively.

***Adjusted Net Loss (Non-HKFRS measure)***

We used adjusted net loss (non-HKFRS measure), a non-HKFRS measure, to supplement our consolidated financial statements. We recognized adjusted net loss (non-HKFRS measure) of RMB318.7 million and RMB487.6 million in 2020 and 2021, respectively, representing an adjusted net loss margin (non-HKFRS measure) of negative 191.6% and negative 103.6%, respectively. See "—Non-HKFRS Measure" for a reconciliation of our loss for the year to our adjusted net loss (non-HKFRS measure).

## DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **NON-CURRENT ASSETS** | | | | |
| Interests in associates | 2,839 | 89,329 | 91,414 | 90,195 |
| Property, plant and equipment | 2,439,885 | 2,913,902 | 3,014,999 | 3,013,182 |
| Right-of-use assets | 581,557 | 560,873 | 533,166 | 532,775 |
| Intangible assets | 698,531 | 902,342 | 874,758 | 861,913 |
| Deposits, prepayments and other receivables | 108,356 | 52,483 | 9,498 | 6,296 |
| Amounts due from related parties | 426,923 | 44,177 | 81,560 | 81,560 |
| Deferred tax assets | 13,736 | 14,398 | 19,603 | 21,521 |
| Total non-current assets | 4,271,827 | 4,577,504 | 4,624,998 | 4,607,442 |
| **CURRENT ASSETS** | | | | |
| Inventories | 21,632 | 38,085 | 84,835 | 42,692 |
| Trade receivables | 57,182 | 137,433 | 109,347 | 84,509 |
| Deposits, prepayments and other receivables | 84,190 | 74,234 | 132,684 | 179,950 |
| Amounts due from related parties | 119,363 | 483,612 | 333,165 | 339,249 |
| Cash and cash equivalents | 424,832 | 136,085 | 126,496 | 257,310 |
| Total current assets | 707,199 | 869,449 | 786,527 | 903,710 |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | (17,703) | (101,247) | (145,858) | (128,666) |
| Accruals and other payables | (169,988) | (259,365) | (244,729) | (224,242) |
| Income tax payable | (2,856) | (2,525) | (2,498) | (2,466) |
| Contract liabilities | (85,276) | (55,114) | (97,281) | (82,511) |
| Amounts due to related parties | (39,412) | (44,337) | (238,784) | (268,516) |
| Lease liabilities | (9,236) | (11,972) | (14,633) | (23,475) |
| Bank and other borrowings | (105,519) | (182,780) | (172,018) | (342,216) |
| Convertible bond | — | (20,129) | (20,316) | (20,026) |
| Redeemable capital contribution | (2,882,260) | (3,625,843) | — | — |
| Total current liabilities | (3,312,250) | (4,303,312) | (936,117) | (1,092,118) |
| **Net current liabilities** | (2,605,051) | (3,433,863) | (149,590) | (188,408) |
| **Total assets less current liabilities** | 1,666,776 | 1,143,641 | 4,475,408 | 4,419,034 |
| **NON-CURRENT LIABILITIES** | | | | |
| Lease liabilities | (195,702) | (186,562) | (187,674) | (191,638) |
| Bank and other borrowings | (1,858,784) | (2,036,837) | (2,219,514) | (2,075,709) |
| Deferred tax liabilities | (130,142) | (77,192) | (72,641) | (70,365) |
| Total non-current liabilities | (2,184,628) | (2,300,591) | (2,479,829) | (2,337,712) |
| **Net assets/(liabilities)** | (517,852) | (1,156,950) | 1,995,579 | 2,081,322 |
| **EQUITY** | | | | |
| Share capital | 160,000 | 160,000 | 648,723 | 676,918 |
| Reserves | (838,142) | (1,717,331) | 1,036,547 | 1,110,583 |
| Equity attributable to owners of the Company | (678,142) | (1,557,331) | 1,685,270 | 1,787,501 |
| Non-controlling interests | 160,290 | 400,381 | 310,309 | 293,821 |
| **Total equity/(deficit)** | (517,852) | (1,156,950) | 1,995,579 | 2,081,322 |

### Property, Plant and Equipment

Our property, plant and equipment primarily consisted of buildings, medical equipment, electronic and office equipment, motor vehicles, leasehold improvement, and construction in progress for buildings under construction. We had property, plant and equipment of RMB2,439.9 million, RMB2,913.9 million, RMB3,015.0 million and RMB3,013.2 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Buildings | 708 | 738,778 | 727,187 | 717,994 |
| Medical equipment | 234,541 | 407,922 | 392,221 | 361,185 |
| Electronic and office equipment | 5,872 | 37,096 | 33,557 | 29,451 |
| Motor vehicles | 148 | 817 | 650 | 571 |
| Leasehold improvement | 19,930 | 17,164 | 17,481 | 16,361 |
| Construction in progress | 2,178,686 | 1,712,125 | 1,843,903 | 1,887,620 |
| **Total** | 2,439,885 | 2,913,902 | 3,014,999 | 3,013,182 |

During the Track Record Period, we recognized significant and generally enlarging net book value of property, plant and equipment, especially for buildings, medical equipment, and construction in progress, in line with the growth of our hospital business with a number of large-scale hospital construction projects for and the related business operation needs of our medical institutions, primarily including Guangzhou Hospital and Shanghai Hospital. Our construction in progress decreased from RMB2,178.7 million as of December 31, 2020 to RMB1,712.1 million as of December 31, 2021, primarily due to (1) the completion of the construction of Guangzhou Hospital, leading to the related net book value classified as buildings, and (2) the reduced construction in progress in connection with the disposal of our equity interest in Beijing Century Friendship.

### Right-of-use Assets

Our right-of-use assets primarily consisted of land use rights and leased properties. We had right-of-use assets of RMB581.6 million, RMB560.9 million, RMB533.2 million and RMB532.8 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The following table sets forth a breakdown of the carrying amount of our right-of-use assets as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Land use rights | 414,470 | 405,116 | 395,972 | 391,293 |
| Leased properties | 167,087 | 155,757 | 137,194 | 141,482 |
| **Total** | 581,557 | 560,873 | 533,166 | 532,775 |

Our right-of-use assets decreased from RMB581.6 million as of December 31, 2020 to RMB560.9 million as of December 31, 2021, and further to RMB533.2 million as of December 31, 2022 and RMB532.8 million as of June 30, 2023 , primarily due to the depreciation of our right-of-use assets.

### Intangible Assets

Our intangible assets primarily consisted of goodwill, customer contracts, software, operating license, patents and technology, and development in progress for software. We had intangible assets of RMB698.5 million, RMB902.3 million, RMB874.8 million and RMB861.9 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The following table sets forth a breakdown of the net book value of our intangible assets as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Goodwill | 175,375 | 511,776 | 511,776 | 511,776 |
| Customer contracts | — | 5,983 | 2,595 | 915 |
| Software | 1,564 | 31,831 | 25,974 | 24,076 |
| Operating license | 502,762 | 217,180 | 204,508 | 198,172 |
| Patents and technology | — | 125,889 | 119,232 | 115,912 |
| Development in progress | 18,830 | 9,683 | 10,673 | 11,062 |
| **Total** | 698,531 | 902,342 | 874,758 | 861,913 |

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as of the acquisition date. See "—Significant Accounting Policies, Judgments and Estimates—Goodwill." Operating license represents the licenses which grant operating rights to our medical institutions and, therefore, is categorized as intangible assets.

Our intangible assets increased from RMB698.5 million as of December 31, 2020 to RMB902.3 million as of December 31, 2021 primarily due to increases in goodwill and patents and technology in connection with the acquisition of Beijing Healthingkon, partially offset by a decrease in operating license as a result of the disposal of our equity interest in Beijing Century Friendship together with the licenses it held. Our intangible assets decreased from RMB902.3 million as of December 31, 2021 to RMB874.8 million as of December 31, 2022 and further to RMB861.9 million as of June 30, 2023, primarily due to decreases in software, and patents and technology as a result of amortization, partially offset by an increase in development in progress in connection with the development of software system.

### Deposits, Prepayments and Other Receivables

Our deposits, prepayments and other receivables primarily consisted of prepayment to third parties and other receivables due from third parties. Deposits, prepayments and other receivables with a collection period over one year based on the contract terms are classified as non-current assets and, otherwise, are classified as current assets. We had deposits, prepayments and other receivables of RMB192.5 million, RMB126.7 million, RMB142.2 million and RMB186.2 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The following table sets forth the details of our deposits, prepayments and other receivables as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **Non-current portion** | | | | |
| Deposits | 5,575 | 6,645 | 4,049 | 3,686 |
| Other receivables | 4,262 | 1,378 | 1,407 | 1,378 |
| Less: allowance for impairment | (1,445) | (1,080) | (1,509) | (1,253) |
| Prepayment for long term investment | 25,490 | — | — | — |
| Prepayment for property, plant and equipment | 74,474 | 45,540 | 5,551 | 2,485 |
| Total non-current portion | 108,356 | 52,483 | 9,498 | 6,296 |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **Current portion** | | | | |
| Deposits | 2,304 | 4,536 | 9,569 | 9,581 |
| Advance to employees | 2,526 | 2,257 | 2,092 | 2,094 |
| Other receivables | 54,124 | 39,197 | 59,121 | 56,175 |
| Less: allowance for impairment | (9,614) | (7,979) | (5,429) | (4,969) |
| Prepayments | 34,850 | 36,223 | 67,331 | 117,069 |
| Total current portion | 84,190 | 74,234 | 132,684 | 179,950 |
| **Total** | 192,546 | 126,717 | 142,182 | 186,246 |

Prepayment for property, plant and equipment represents amounts we prepaid to third parties for procurement of medical equipment and other fixed assets for our business operation. Other receivables primarily represent the non-trade receivables from third parties for the retained purchase price of the medical equipment reserved by partnered hospitals under certain early terminated operating lease arrangement which was primarily due to the change of plans by a partnered hospital regarding its establishing or developing the originally intended oncology healthcare service through our equipment leasing and comprehensive support services, and the estimated value-added tax receivables primarily in connection with the construction projects of our medical institutions. Prepayment for long term investment represents our prepayment for the investment in Hengjian Hezi in 2020. Prepayments represent prepayments of medical equipment procurement for our sales and installing of medical equipment and software and prepayments for **[REDACTED]** expenses.

Our deposits, prepayments and other receivables decreased from RMB192.5 million as of December 31, 2020 to RMB126.7 million as of December 31, 2021, primarily due to (1) a decrease in prepayment for property, plant and equipment associated with the arrival of the relevant property at our medical institutions and the corresponding classification of such prepayment to property, plant and equipment in 2021, (2) a decrease in prepayment for long term investment, as such prepayment was classified into interests in associates in 2021, and (3) a decrease in other receivables driven by our enhanced collection efforts. Our deposits, prepayments and other receivables increased to RMB142.2 million as of December 31, 2022, primarily due to (1) an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses, and (2) an increase in other receivables associated with non-trade receivables from third parties and the estimated value-added tax receivables in connection with the construction projects of our medical institutions, in line with our business growth. Our deposits, prepayments and other receivables increased to RMB186.2 million as of June 30, 2023, primarily due to an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses.

As of October 31, 2023, nil of the non-current portion of our prepayments as of June 30, 2023, and approximately 23.5% or RMB27.5 million of the current portion of our prepayments as of the same date, had been subsequently settled.

The following table sets forth an aging analysis of the current portion of our other receivables as at the end of each period during the Track Record Period and the subsequent settlement of these outstanding receivables as of October 31, 2023.

| | As of December 31, | | | As of June 30, | Subsequent settlement amount as of October 31, | Percentage of the balance as of October 31, |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 | 2023 |
| | (RMB in thousands, except for percentages) | | | | (Unaudited) | |
| Within one year | 50,383 | 34,629 | 59,121 | 56,052 | 5,760 | 10.3% |
| One year to two years | 3,260 | 1,304 | — | 55 | 55 | 100.0% |
| Over two years | 1,481 | 3,264 | — | 68 | 68 | 100.0% |
| **Total** | **54,124** | **39,197** | **59,121** | **56,175** | **5,883** | **10.5%** |

To assess the recoverability of our other receivables, our Directors makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records, due day analysis and past experience. Based on the results of our Director's assessment, we provided the impairment of our other receivables in accordance with the accounting policies in Note 3.16(b) to Accountants' Report set out in Appendix I of this document. On the basis of each of the factors as assessed above and the valuation performed by our independent valuer on the ECL rates. Therefore, our Directors considered that the other receivables is recoverable and the allowances for impairment of other receivables is sufficient for the end of each period during the Track Record Period.

**Inventories**

Our inventories primarily consisted of medicine, medical materials, medical equipment, medical software and low-value consumables. We had inventories of RMB21.6 million, RMB38.1 million, RMB84.8 million and RMB42.7 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The following table sets forth the details of our inventories as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Medicine | 5,013 | 10,259 | 9,896 | 4,873 |
| Medical materials | 373 | 722 | 956 | 847 |
| Medical equipment | 15,884 | 26,921 | 72,158 | 36,857 |
| Medical software | — | 133 | 1,738 | 28 |
| Low-value consumables | 1,011 | 669 | 694 | 663 |
| Less: inventory write-down | (649) | (619) | (607) | (576) |
| **Total** | 21,632 | 38,085 | 84,835 | 42,692 |

Our inventories increased from RMB21.6 million as of December 31, 2020 to RMB38.1 million as of December 31, 2021, and further to RMB84.8 million as of December 31, 2022, primarily due to an increase in our purchase of medicine and medical materials, generally consistent with the growth of our hospital business, and an increase in our purchase of medical equipment, generally consistent with the growth in our sales and installing of medical equipment and software. Our inventories decreased to RMB42.7 million as of June 30, 2023, primarily due to the decreases in medicine and medical equipment as a result of the consumption of medicine during daily operation of our hospitals and the sales of medical equipment along with the growth of sales and installing of medical equipment and software.

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Net realizable value assessment has been performed for each financial period to ensure sufficient provision has been made. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we recorded provision for impairment of inventories of RMB0.6 million, RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively, which was mainly related to low-value consumables. The inventories aged over one year are mainly related to medical equipment, for which the acceptance schedule has been delayed due to some special circumstances. The acceptance schedule is postponed, which was mutually agreed by our Group and the customers. Our Directors are of the view that the medical equipment involved in these isolated cases can be resold to other buyers at market price, and the net realizable value assessment has been performed with no indication of impairment. Therefore, our Directors are of the review that sufficient provision has been made. The inventories aged over two year are mainly related to medical equipment. The net realizable value assessment has been performed with no indication of impairment. Therefore, our Directors are of the view that there is no recoverability issue for inventories with aging over two years.

The following table sets forth our inventory turnover days for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| Inventory turnover days[(1)] | 28 | 21 | 36 | 36 |

(1) The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of revenue for the corresponding period and then multiplying by the number of days in that period.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Within three months | 17,587 | 21,366 | 64,316 | 7,436 |
| Four to six months | 3,794 | 3,192 | 291 | 17,691 |
| Seven to 12 months | 259 | 5,545 | 9,835 | 7,262 |
| One to two years | 2 | 346 | 3,010 | 3,409 |
| Over two years | 639 | 8,255 | 7,990 | 7,470 |
| Impairment | (649) | (619) | (607) | (576) |
| **Total** | **21,632** | **38,085** | **84,835** | **42,692** |

Our inventories turnover days decreased from 28 days in 2020 to 21 days in 2021, primarily because the increase in average inventories was outpaced by the increase in our cost of revenue in the same period. Our inventories turnover days increased from 21 days in 2021 to 36 days in 2022, primarily due to the increased medical equipment inventory, primarily attributable to the delay in logistics for delivery, installation and acceptance of medical equipment as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022, especially for certain large-scale medical equipment with higher value which has a greater impact on the balance of inventories. Our inventories turnover days remained relatively stable at 36 days in the six months ended June 30, 2023.

As of October 31, 2023, approximately 17.6% or RMB7.5 million of our inventories as of June 30, 2023 had been subsequently utilized or sold.

**Trade Receivables**

Our trade receivables primarily consisted of amounts due from (1) our partnered hospitals and other enterprise customers for our medical equipment, software and related services, and (2) medical insurance programs for healthcare services.

We had trade receivables of RMB57.2 million, RMB137.4 million, RMB109.3 million and RMB84.5 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The following table sets forth the details of our trade receivables as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Trade receivables for hospital business | 15,981 | 10,351 | 19,189 | 26,733 |
| Trade receivables for medical equipment, software and related services | 46,249 | 131,688 | 114,412 | 79,127 |
| Sales and installing of medical equipment and software | 9,922 | 102,942 | 84,525 | 53,406 |
| Management and technical support | 19,978 | 16,697 | 15,059 | 11,759 |
| Operating lease | 16,349 | 12,049 | 14,828 | 13,962 |
| Trade receivables | 62,230 | 142,040 | 133,601 | 105,860 |
| Less: allowance for impairment of trade receivables | (5,048) | (4,607) | (24,254) | (21,351) |
| **Total** | 57,182 | 137,433 | 109,347 | 84,509 |

During the Track Record Period, the majority of our trade receivables balance recorded was related to our medical equipment, software and related services. Specifically, our trade receivables balance in connection with sales and installing of medical equipment and software increased from RMB9.9 million as of December 31, 2020 to RMB102.9 million as of December 31, 2021, generally consistent with the growth of our sales and installing of medical equipment and software. Our trade receivables balance in connection with sales and installing of medical equipment and software decreased to RMB84.6 million as of December 31, 2022 and further to RMB53.4 million as of June 30, 2023, primarily due to the settlement of such trade receivables by customers for our sales and installing of medical equipment and software.

The following table sets forth our trade receivables turnover days for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| Trade receivables turnover days[(1)] | 127 | 79 | 107 | 76 |

(1) The trade receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of gross trade receivables in that period by revenue for the corresponding period and then multiplying by the number of days in that period.

Our trade receivables turnover days was 127 in 2020, which was higher than our general credit terms, primarily due to the delayed payment of our customers resulting from their extended payment cycle in light of the outbreak of COVID-19 pandemic. Our trade receivables turnover days decreased from 127 days in 2020 to 79 days in 2021, as we enhanced our collection efforts. Despite our continuous collection efforts, our trade receivables turnover days increased to 107 days in 2022, which was higher than our general credit terms, primarily due to the delayed payment of our customers resulting from their extended payment cycle amid the exacerbated regional resurgence of COVID-19 compared to the previous year. Our trade receivables turnover days decreased to 76 days in the six months ended June 30, 2023, as we enhanced our collection efforts.

As of October 31, 2023, approximately 35.6% or RMB37.7 million of our trade receivables as of June 30, 2023 had been settled, which have not been the subject of any disputes, claims or legal proceedings. The following table sets forth the breakdown of the subsequent settlement of our trade receivables by business segment as of the dates indicated.

| | As of December 31, | | | | | | | | | | | | As of June 30, 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2021 | | | | 2022 | | | | | | | |
| | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of Settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 |
| | (RMB in thousands, except for percentages) | | | | | | | | | | | | | | | |
| Hospital business | 15,981 | 15,827 | 99% | 154 | 10,351 | 10,245 | 99% | 106 | 19,189 | 18,304 | 95% | 885 | 26,733 | 25,557 | 96% | 1,176 |
| Medical equipment, software and related services | 46,249 | 45,618 | 99% | 631 | 131,689 | 102,017 | 77% | 29,672 | 114,412 | 58,695 | 51% | 55,717 | 79,127 | 12,137 | 15% | 66,990 |
| **Total** | 62,230 | 61,445 | 99% | 785 | 142,040 | 112,262 | 79% | 29,778 | 133,601 | 76,999 | 58% | 56,602 | 105,860 | 37,694 | 36% | 68,166 |

As of October 31, 2023, to our best knowledge, each of our relevant customers with unsettled trade receivables was of good financial standing. The relevant impairment provision made for each of the ten largest debtors as of June 30, 2023 ranged from RMB0.3 million to RMB1.8 million. The delayed payments by these customers were primarily due to their extended payment cycle amid the regional resurgence of COVID-19 pandemic.

We perform an impairment analysis at the end of each financial year using a provision matrix to measure expected credit losses for our trade receivables and assess our credit risk exposure. As of December 31, 2020, 2021, 2022 and June 30, 2023, we recorded allowance for impairment of trade receivables of RMB5.0 million, RMB4.6 million, RMB24.3 million and RMB21.4 million, respectively. Our allowance for impairment of trade receivables increased from RMB4.6 million as of December 30, 2021 to RMB24.3 million as of December 31, 2022, as our allowance for impairment of trade receivables aged within one year increased from RMB3.0 million as of December 31, 2021 to RMB13.2 million as of December 31, 2022 and our allowance for impairment of trade receivables aged between one to two years increased from RMB0.1 million to RMB9.7 million as of the same dates under the provision matrix analysis, primarily because of the delayed payment of our partnered hospitals resulting from their extended payment cycle amid the regional resurgence of COVID-19 pandemic which led to declined aging performance and the increase in shared credit risk, affecting the provision matrix in determination of historical default rates. Our allowance for impairment of trade receivables decreased to RMB21.4 million as of June 30, 2023, primarily due to reversal of certain impairment after settling such trade receivables. We determine the expected credit losses on trade receivables by using a provision matrix analysis, based on shared credit risk characteristics by reference to repayment histories for customers. We estimate the provision rates using the historical observed default rates of the debtors taking into consideration forward-looking information that is reasonably and supportably available without undue costs or effort. At the end of each reporting period, we reassessed and updated the historical loss rates after considering the forward-looking information then available to our Directors. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity. See Note 3 and Note 19 to the Accountant's Report in Appendix I to this document.

Our senior management regularly reviews our trade receivables balance and overdue balance, and we follow up with customers with past due trade receivables. Our accounting personnel will direct sales and marketing staff to deliver collection notices to customers whose bills have been overdue for less than 30 days. For customers whose bills have been overdue for 30 days to 90 days, our accounting personnel will escalate the matter to our vice president, and both our sales and marketing staff and our vice president will deliver collection notices to our customers. For customers whose bills have been overdue for more than 90 days, our accounting personnel will escalate the matter to our president to confirm whether we should cease further transactions with such customers. For customers who refuse to pay the bills despite numerous notices, we may consider initiating lawsuits. See "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to credit risk in relation to our trade receivables."

To assess the adequacy of the impairment of our trade receivables, our Directors have considered the recoverability of individual customers, including among others, the credit history, the historical settlement records, the aging analysis, and forward-looking information. Based on the results of our Director's assessment, we provided the impairment of our trade receivables in accordance with the accounting policies in Note 3.16(b) to Accountants' Report set out in Appendix I of this document. On the basis of each of the factors as assessed above and the valuation performed by our independent valuer on the ECL rates, our Directors considered that the allowances for impairment of trade receivables is sufficient for at the end of each period during the Track Record Period.

The following table sets forth an aging analysis of our trade receivables based on the date of delivery of goods or services as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Within three months | 27,984 | 115,194 | 77,520 | 36,731 |
| Four to six months | 13,424 | 12,335 | 8,014 | 4,479 |
| Seven months to one year | 11,908 | 9,053 | 14,491 | 29,881 |
| One year to two years | 3,866 | 851 | 9,322 | 13,418 |
| **Total** | 57,182 | 137,433 | 109,347 | 84,509 |

Our trade receivables aged over one year decreased from RMB3.9 million as of December 31, 2020 to RMB0.9 million as of December 31, 2021, driven by our enhanced collection efforts. Our trade receivables aged over one year increased to RMB9.3 million as of December 31, 2022, primarily due to the delayed payment of our partnered hospitals resulting from their extended payment cycle amid the regional resurgence of COVID-19 pandemic in 2022. Our trade receivables aged over one year further increased to RMB13.4 million as of June 30, 2023 and our trade receivables aged between seven months to one year increased from RMB14.5 million as of December 31, 2022 to RMB29.9 million as of June 30, 2023, primarily due to the accumulating trade receivable balances from previous periods and the further declined aging performance of certain partnered hospitals with delayed payments.

The following table sets forth the breakdown of the subsequent settlement of our trade receivables, without consideration of allowance for impairment, by age group as of the dates indicated.

| | As of December 31, | | | | | | | | | | | | As of June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2021 | | | | 2022 | | | | 2023 | | | |
| | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 | Gross carrying amount | Amount of settlement as of October 31, 2023 | Percentage of settlement as of October 31, 2023 | Remaining balances as of October 31, 2023 |
| | (RMB in thousands, except for percentages) | | | | | | | | | | | | | | | |
| Within three months | 28,649 | 28,576 | 100% | 73 | 116,142 | 92,590 | 80% | 23,552 | 81,684 | 51,362 | 63% | 30,322 | 38,717 | 30,833 | 80% | 7,884 |
| Four to six months | 13,987 | 13,985 | 100% | 2 | 13,393 | 11,590 | 87% | 1,803 | 8,893 | 6,923 | 78% | 1,970 | 4,827 | 664 | 14% | 4,163 |
| Seven months to one year | 12,845 | 12,844 | 100% | 1 | 10,044 | 6,347 | 63% | 3,697 | 22,599 | 10,378 | 46% | 12,221 | 37,708 | 4,916 | 13% | 32,792 |
| One year to two years | 4,295 | 4,002 | 93% | 293 | 1,011 | 1,000 | 99% | 11 | 19,029 | 7,707 | 41% | 11,322 | 21,960 | 999 | 5% | 20,961 |
| Over two years | 2,454 | 2,038 | 83% | 416 | 1,450 | 735 | 51% | 715 | 1,396 | 629 | 45% | 767 | 2,648 | 282 | 11% | 2,366 |
| **Total** | 62,230 | 61,445 | 99% | 785 | 142,040 | 112,262 | 79% | 29,778 | 133,601 | 76,999 | 58% | 56,602 | 105,860 | 37,694 | 36% | 68,166 |

### Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash on hand and cash at bank. As of December 31, 2020, 2021, 2022 and June 30, 2023, all of our cash and cash equivalents were denominated in RMB. As of December 31, 2020, 2021, 2022 and June 30, 2023, we had cash and cash equivalents of RMB424.8 million, RMB136.1 million, RMB126.5 million and RMB257.3 million, respectively. The decrease in our cash and cash equivalents from December 31, 2020 to December 31, 2021 and further to December 31, 2022 was primarily due to the utilization of cash to fulfill the working capital requirements of our daily operations, and the capital expenditures on the purchase of property, plant and equipment, purchase of right-of-use assets, and purchase of intangible assets in line with our business growth. Our cash and cash equivalents increased to RMB257.3 million as of June 30, 2023, primarily due to an increase in cash at bank as a result of the D Round **[REDACTED]** Investment.

### Trade Payables

Our trade payables primarily consisted of amounts payable to suppliers in the ordinary course of business. We had trade payables of RMB17.7 million, RMB101.2 million, RMB145.9 million and RMB128.7 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. Our suppliers typically grant us a credit period from one to three months, which is in line with industry norm.

Our trade payables increased from RMB17.7 million as of December 31, 2020 to RMB101.2 million as of December 31, 2021, and further to RMB145.9 million as of December 31, 2022, generally consistent with the growth in our sales and installing of medical equipment and software. Our trade payables decreased to RMB128.7 million as of June 30, 2023, primarily because we settled part of the amounts payables related to medical equipment and consumables with our suppliers based on the agreed payment schedule after the COVID-19 pandemic.

The following table sets forth our trade payables turnover days for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| Trade payables turnover days[1] | 31 | 42 | 73 | 78 |

(1) The trade payables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in that period by cost of revenue for the corresponding period and then multiplying by the number of days in that period.

Our trade payables turnover days increased from 31 days in 2020 to 42 days in 2021, generally consistent with our business growth. Our trade payables turnover days increased from 42 days in 2021 to 73 days in 2022 primarily because of the relaxed payment schedule with our suppliers in light of the COVID-19 pandemic. Our trade payables turnover days further increased to 78 days in the six months ended June 30, 2023, primarily because we gained a longer credit term from our suppliers.

As of October 31, 2023, approximately 30.8% or RMB39.6 million of our trade payables as of June 30, 2023 had been settled. The following table sets forth an aging analysis of our trade payables based on the invoice dates as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Within one year | 17,562 | 100,924 | 140,109 | 99,273 |
| One year to two years | 46 | 321 | 5,671 | 27,998 |
| Two years to three years | 93 | — | 76 | 1,393 |
| Over three years | 2 | 2 | 2 | 2 |
| **Total** | 17,703 | 101,247 | 145,858 | 128,666 |

### Accruals and Other Payables

Our accruals and other payables primarily consisted of accruals and other payables to third parties, salaries payables and other tax payable. We had accruals and other payables of RMB170.0 million, RMB259.4 million, RMB244.7 million and RMB224.2 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively.

The following table sets forth the details of our accruals and other payables as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Accruals and other payables | 129,258 | 202,883 | 161,312 | 163,558 |
| Salaries payables | 27,764 | 42,192 | 71,160 | 51,289 |
| Other tax payable | 12,966 | 14,290 | 12,257 | 9,395 |
| **Total** | 169,988 | 259,365 | 244,729 | 224,242 |

Accruals and other payables to third parties primarily represented renovation and refurbishment costs for Shanghai Imaging Center, which commenced full operation in April 2020, construction costs for Guangzhou Hospital, which became operational in June 2021, and construction costs for Shanghai Hospital. Salaries payables primarily represented the related payables for employee salaries and bonuses at period end.

The increase in our accruals and other payables from 2020 to 2021 was generally consistent with the growth of our hospital business. The decrease in our accruals and other payables from December 31, 2021 to December 31, 2022 was primarily due to the settlement of fees for completion of construction work for phase I of Guangzhou Hospital in 2021. The decrease in our accruals and other payables from December 31, 2022 to June 30, 2023 was primarily due to the decrease in salaries payables as a result of the payment for certain employee salaries and bonuses.

### Contract Liabilities

Our contract liabilities primarily represented the advance consideration received from our customers while the underlying goods or services are yet to be provided. Our contract liabilities decreased from RMB85.3 million as of December 31, 2020 to RMB55.1 million as of December 31, 2021, primarily because the increase in contract liabilities was outpaced by the increase in revenue we recognized after providing the underlying goods or services in the same period. Our contract liabilities increased to RMB97.3 million as of December 31, 2022, primarily due to the increase in the advance consideration received from our customers for sales and installing of medical equipment and software, while the underlying medical equipment is yet to be provided because of the delay in logistics for delivery, installation and acceptance as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022. Our contract liabilities decreased to RMB82.5 million as of June 30, 2023, primarily driven by the increase in revenue recognition of sales and installing of medical equipment and software which was due to our business development and recovery from the impact of COVID-19 outbreaks along with our enhanced market education efforts. As of October 31, 2023, approximately 80.8% or RMB66.7 million of our contract liabilities as of June 30, 2023 had been subsequently recognized as revenue.

### Convertible Bond

Our convertible bond primarily represented the 4.75% convertible bond with a principal amount of RMB20.0 million that Beijing Healthingkon issued to the Subscriber in December 2021. See "History, Development and Corporate Structure—Our Corporate Structure" for more details. We had convertible bond of nil, RMB20.1 million, RMB20.3 million and RMB20.0 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. The convertible bond is denominated in RMB and will mature in five years from the issuance date. See Note 26 to the Accountant's Report in Appendix I to this document.

The Subscriber has the right to convert the convertible bond in whole or in part into equity interests in Beijing Healthingkon. Pursuant to the terms of the convertible bond, (i) if the Subscriber fully exercises its right to convert during the period from the date of issuance of the convertible bond to the third anniversary of the issuance date (i.e., December 2024), the Subscriber shall be entitled to 2.5% of the equity interests in Beijing

Healthingkon, which is calculated by dividing the outstanding principal amount of the convertible bond (the maximum of which shall be RMB20.0 million) by the agreed valuation of Beijing Healthingkon on the issuance date (i.e., RMB800.0 million), and the voting right at the general meeting of Beijing Healthingkon controlled by our Company will be diluted from approximately 63.69% to approximately 62.10%; (ii) if the Subscriber fully exercises its right to convert during the period after the third anniversary of issuance date to the maturity of the convertible bond (i.e., December 2026), the percentage of equity interests in Beijing Healthingkon that Subscriber shall be entitled to shall be calculated by dividing the outstanding principal amount of the convertible bond (the maximum of which shall be RMB20.0 million) by the aggregate of (a) the outstanding principal amount of the convertible bond and (b) 80% of the valuation of Beijing Healthingkon prior to the conversion.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund the daily operations of our business. During the Track Record Period, we financed our capital expenditures and working capital requirements principally with cash generated from our operations and bank and other borrowings. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, **[REDACTED]** from the **[REDACTED]**, and other funds raised from the capital markets from time to time. Any significant decrease in the availability of bank loans or other financing may adversely impact our liquidity. As of December 31, 2020, 2021, 2022 and June 30, 2023, we had cash and cash equivalents of RMB424.8 million, RMB136.1 million, RMB126.5 million and RMB257.3 million, respectively.

### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Net cash flows generated from/(used in) operating activities | 50,638 | 151,234 | (93,637) | (130,767) |
| Net cash flows used in investing activities | (851,510) | (945,044) | (100,325) | (4,273) |
| Net cash flows generated from financing activities | 1,165,697 | 505,063 | 184,373 | 265,854 |
| Net increase/(decrease) in cash and cash equivalents | 364,825 | (288,747) | (9,589) | 130,814 |
| Cash and cash equivalents at beginning of the year/period | 60,007 | 424,832 | 136,085 | 126,496 |
| Cash and cash equivalents at end of the year/ period | 424,832 | 136,085 | 126,496 | 257,310 |

#### *Net Cash Flows Generated from/(Used in) Operating Activities*

In the six months ended June 30, 2023, our net cash used in operating activities was RMB130.8 million. The difference between our cash used in operations and our loss before income tax of RMB218.4 million was primarily due to (1) certain adjustments of non-cash or non-operating items, primarily including finance costs of RMB54.9 million primarily representing the interest charge on bank and other borrowings, depreciation of property, plant and equipment of RMB47.1 million, amortization of intangible assets of RMB15.0 million, and depreciation of right-of-use assets of RMB14.4 million, and (2) changes in working capital that negatively affected the cash flow, primarily including (i) an increase in deposits, prepayments and other receivables of RMB41.9 million primarily related to an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses, (ii) a decrease in trade payables of RMB17.2 million primarily due to increase in settlement with our suppliers, (iii) a decrease in accruals and other payables of RMB29.7 million primarily due to the decrease in salaries payables as a result of the payment for certain employee salaries and bonuses, and (iv) a decrease in contract liabilities of RMB14.8 million primarily because the increase in contract liabilities was outpaced by the increase in revenue we recognized after providing the underlying goods or services in the same period, partially offset by (3) changes in working capital that positively affected the cash flow, primarily including (i) a decrease in inventories of RMB42.2 million primarily due to the decreases in medicine and medical equipment as a result of the consumption of medicine during daily operation of our hospitals and the sales of medical equipment along with the growth of sales and installing of medical equipment and software, and (ii) a decrease in trade receivables of RMB27.7 million, driven by our enhanced collection efforts.

In 2022, our net cash used in operating activities was RMB93.6 million. The difference between our cash used in operations and our loss before income tax of RMB647.2 million was primarily due to (1) certain adjustments of non-cash or non-operating items, primarily including finance costs of RMB274.5 million primarily representing the interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements and interest charge on bank and other borrowings, depreciation of property, plant and equipment of RMB91.6 million, provision for impairment loss on amounts due from related parties of RMB19.6 million, amortization of intangible assets of RMB29.5 million, and depreciation of right-of-use assets of RMB27.0 million, and (2) changes in working capital that positively affected the cash flow, primarily including (i) a decrease in amount due from related parties of RMB179.5 million, driven by our enhanced collection efforts, (ii) an increase in trade payables of RMB44.6 million, generally consistent with the growth in our sales and installing of medical equipment and software, and (iii) an increase in contract liabilities of RMB42.2 million primarily due to the increase in the advance consideration received from our customers for sales and installing of medical equipment and software, while the underlying medical equipment is yet to be provided because of the delay in logistics for delivery, installation and acceptance as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022, partially offset by (3) changes in working capital that negatively affected the cash flow, primarily including (i) an increase in deposits, prepayments and other receivables of RMB51.3 million primarily related to an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses, and an increase in other receivables associated with non-trade receivables from third parties and the estimated value-added tax receivables in connection with the construction projects of our medical institutions, in line with our business growth, (ii) an increase in inventories of RMB46.7 million, primarily due to an increase in our purchase of medical equipment, generally consistent with the growth in our sales and installing of medical equipment and software, and (iii) a decrease in accruals and other payables of RMB17.1 million primarily related to the settlement of fees for completion of construction work for phase I of Guangzhou Hospital in 2021.

In 2021, our net cash generated from operating activities was RMB151.2 million. The difference between our cash generated from operations and our loss before income tax of RMB836.3 million was primarily due to (1) certain adjustments of non-cash or non-operating items, primarily including finance costs of RMB435.3 million primarily representing the interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements, depreciation of property, plant and equipment of RMB62.7 million, impairment loss on amounts due from related parties of RMB47.7 million, gain on disposal of a subsidiary of RMB30.0 million, depreciation of right-of-use assets of RMB28.0 million, and amortization of intangible assets of RMB23.4 million, and (2) changes in working capital that positively affected cash flow, primarily including (i) a decrease in amounts due from related parties of RMB227.3 million, driven by our enhanced collection efforts, (ii) an increase in accruals and other payables of RMB135.2 million primarily related to construction costs for Guangzhou Hospital in 2021, (iii) a decrease in deposits, prepayments and other receivables of RMB121.4 million as a result of a decrease in prepayment for property, plant and equipment associated with the arrival of the relevant property at our medical institutions and the corresponding classification of such prepayment to property, plant and equipment in 2021, and (iv) an increase in trade payables of RMB49.7 million, generally consistent with our sales and installing of medical equipment and software in 2021, partially offset by (3) changes in working capital that negatively affected cash flow, primarily including (i) an increase in trade receivables of RMB79.6 million, primarily due to an increase in trade receivables due from the public medical insurance programs generally consistent with the growth of our hospital business, and (ii) a decrease in contract liabilities of RMB31.1 million, primarily because the increase in contract liabilities was outpaced by the increase in revenue we recognized after providing the underlying goods or services in the same period.

In 2020, our net cash generated from operating activities was RMB50.6 million. The difference between our cash generated from operations and our loss before income tax of RMB597.8 million was primarily due to (1) certain adjustments of non-cash or non-operating items, primarily including finance costs of RMB323.5 million primarily representing the interests accrued on the special rights of the **[REDACTED]** Investors included in our financing arrangements, depreciation of property, plant and equipment of RMB44.0 million, depreciation of right-of-use assets of RMB26.6 million, impairment loss on amounts due from related parties of RMB18.0 million, and amortization of intangible assets of RMB13.3 million, and (2) changes in working capital that positively affected cash flow, primarily including (i) an increase in accruals and other payables of RMB215.7

million primarily related to renovation and refurbishment for Shanghai Imaging Center in 2020, and (ii) an increase in contract liabilities of RMB83.9 million generally consistent with our business growth, partially offset by (3) changes in working capital that negatively affected cash flow, primarily including an increase in deposits, prepayments and other receivables of RMB81.8 million, primarily due to an increase in prepayment for property, plant and equipment and an increase in other receivables associated with non-trade receivables from third parties and the estimated value-added tax receivables in connection with the construction projects of our medical institutions, generally consistent with our business growth.

***Net Cash Flows Used in Investing Activities***

In the six months ended June 30, 2023, our net cash used in investing activities amounted to RMB4.3 million, primarily reflecting (1) purchase of property, plant and equipment of RMB3.0 million, generally consistent with the growth of our hospital business with a number of large-scale hospital construction projects for our medical institutions, and (2) purchase of intangible assets of RMB1.8 million in line with our business growth.

In 2022, our net cash used in investing activities was RMB100.3 million, primarily reflecting (1) purchase of property, plant and equipment of RMB77.9 million, generally consistent with the growth of our hospital business with a number of large-scale hospital construction projects for our medical institutions, (2) new loan to a related party of RMB16.8 million for its loan repayments, which is unsecured and collectable on due date, and (3) prepayment for acquisition of property, plant and equipment of RMB4.2 million.

In 2021, our net cash used in investing activities was RMB945.0 million, primarily reflecting (1) purchase of property, plant and equipment of RMB402.4 million, generally consistent with the growth of our hospital business with a number of large-scale hospital construction projects for our medical institutions, (2) new loan to a related party of RMB142.9 million for its loan repayments, which is unsecured and collectable on due date, (3) advance to related parties of RMB113.5 million, (4) acquisition of subsidiaries, net of cash acquired of RMB106.4 million, in connection with the acquisition of Beijing Healthingkon, (5) prepayment for acquisition of property, plant and equipment of RMB74.8 million, (6) acquisition of associate of RMB61.2 million, (7) purchase of intangible assets of RMB45.6 million, and (8) purchase of financial assets at FVTPL of RMB13.2 million, partially offset by proceed of disposal of financial assets at FVTPL of RMB13.2 million, and bank interest received of RMB5.4 million.

In 2020, our net cash used in investing activities was RMB851.5 million, primarily reflecting (1) purchase of property, plant and equipment of RMB503.1 million, generally consistent with the growth of our hospital business with a number of large-scale hospital construction projects for our medical institutions, (2) prepayments for acquisition of property, plant and equipment of RMB241.5 million, (3) advance to related parties of RMB62.0 million, (4) prepayment for long term investment of RMB25.5 million, and (5) purchase of intangible assets of RMB16.4 million.

***Net Cash Flows Generated from Financing Activities***

In the six months ended June 30, 2023, our net cash generated from financing activities amounted to RMB265.9 million, primarily reflecting (1) the proceeds in the amount of approximately RMB300.0 million from our D Round **[REDACTED]** Investment, (2) proceeds from bank and other borrowings of RMB107.3 million, driven by our financing efforts to accommodate the capital expenditure needs for the expansion of our hospital business, and (3) advance from related parties of RMB29.7 million, partially offset by (1) repayment of bank and other borrowings of RMB82.4 million, and (2) interest paid of RMB78.9 million.

In 2022, our net cash generated from financing activities was RMB184.4 million, primarily reflecting (1) proceeds from bank and other borrowings of RMB243.1 million, driven by our enhanced financing efforts to accommodate the capital expenditure needs for the expansion of our hospital business, and (2) advance from related parties of RMB194.4 million, partially offset by (1) interest paid of RMB137.4 million, and (2) repayment of bank and other borrowings of RMB92.3 million.

In 2021, our net cash generated from financing activities was RMB505.1 million, primarily reflecting (1) proceed from issuance of redeemable capital contributions of RMB400.0 million, in connection with the special rights of the **[REDACTED]** Investors included in our financing arrangements, and (2) proceeds from bank and other borrowings of RMB325.7 million, driven by our enhanced financing efforts to accommodate the capital expenditure needs for the expansion of our hospital business, partially offset by repayment of bank and other borrowings of RMB105.3 million.

In 2020, our net cash generated from financing activities was RMB1,165.7 million, primarily reflecting (1) proceeds from bank and other borrowings of RMB765.7 million, driven by our enhanced financing efforts to accommodate the capital expenditure needs for the expansion of our hospital business, and (2) proceed from issuance of redeemable capital contributions of RMB700.0 million, in connection with the special rights of the **[REDACTED]** Investors included in our financing arrangements, partially offset by (1) repayment to related parties of RMB136.0 million, and (2) repayment of bank and other borrowings of RMB55.6 million.

**Current Assets and Current Liabilities**

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

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | (RMB in thousands) | | | | (Unaudited) |
| **CURRENT ASSETS** | | | | | |
| Inventories | 21,632 | 38,085 | 84,835 | 42,692 | 42,486 |
| Trade receivables | 57,182 | 137,433 | 109,347 | 84,509 | 81,745 |
| Deposits, prepayments and other receivables | 84,190 | 74,234 | 132,684 | 179,950 | 188,711 |
| Amounts due from related parties | 119,363 | 483,612 | 333,165 | 339,249 | 341,662 |
| Cash and cash equivalents | 424,832 | 136,085 | 126,496 | 257,310 | 148,603 |
| **Total current assets** | 707,199 | 869,449 | 786,527 | 903,710 | 803,207 |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | 17,703 | 101,247 | 145,858 | 128,666 | 115,677 |
| Accruals and other payables | 169,988 | 259,365 | 244,729 | 224,242 | 401,927 |
| Income tax payable | 2,856 | 2,525 | 2,498 | 2,466 | 2,466 |
| Contract liabilities | 85,276 | 55,114 | 97,281 | 82,511 | 80,350 |
| Amounts due to related parties | 39,412 | 44,337 | 238,784 | 268,516 | 293,410 |
| Lease liabilities | 9,236 | 11,972 | 14,633 | 23,475 | 23,948 |
| Bank and other borrowings | 105,519 | 182,780 | 172,018 | 342,216 | 400,706 |
| Convertible bond | — | 20,129 | 20,316 | 20,026 | 20,340 |
| Redeemable capital contribution | 2,882,260 | 3,625,843 | — | — | — |
| **Total current liabilities** | 3,312,250 | 4,303,312 | 936,117 | 1,092,118 | 1,338,824 |
| **NET CURRENT LIABILITIES** | (2,605,051) | (3,433,863) | (149,590) | (188,408) | (535,617) |

We had net current liabilities of RMB2,605.1 million, RMB3,433.9 million, RMB149.6, RMB188.4 million and RMB535.6 million as of December 31, 2020, 2021, 2022, June 30, 2023 and October 31, 2023, respectively. Our net current liabilities position as of each of these dates was attributable to our redeemable capital contribution, bank and other borrowings, accruals and other payables, amounts due to related parties and trade payables, partially offset by amounts due from related parties, deposits, prepayments and other receivables, trade receivables and cash and cash equivalents.

Our net current liabilities increased from RMB2,605.1 million as of December 31, 2020 to RMB3,433.9 million as of December 31, 2021, primarily due to (1) an increase in redeemable capital contribution of RMB743.6 million, in connection with the investments from the **[REDACTED]** Investors, and (2) a decrease in cash and cash equivalents of RMB288.7 million, primarily due to the utilization of cash to fulfill the working capital requirements of our daily operations during business growth, partially offset by an increase in amounts due from related parties of RMB364.2 million as a result of the disposal of our equity interest in Beijing Century Friendship.

We had net current liabilities of RMB149.6 million as of December 31, 2022, compared to net current liabilities of RMB3,433.9 million as of December 31, 2021, primarily due to (1) a decrease in redeemable capital contribution of RMB3,625.8 million, in connection with the designation of redeemable capital contribution from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments, and (2) an increase in deposits, prepayments and other receivables of RMB58.5 million, primarily due to (i) an increase in prepayments in connection with the medical equipment procurement and **[REDACTED]** expenses, and (ii) an increase in other receivables associated with non-trade receivables from third parties and the estimated value-added tax receivables in connection with the construction projects of our medical institutions, in line with our business growth, partially offset by (1) an increase in amounts due to related parties of RMB194.4 million, and (2) a decrease in amounts due from related parties of RMB150.4 million driven by our enhanced collection efforts.

Our net current liabilities increased from RMB149.6 million as of December 31, 2022 to RMB188.4 million as of June 30, 2023, primarily due to (1) an increase in bank and other borrowings of RMB170.2 million, driven by our financing efforts to accommodate the capital expenditure needs for the expansion of our hospital business, (2) a decrease in inventories of RMB42.2 million primarily due to the decreases in medicine and medical equipment as a result of the consumption of medicine during daily operation of our hospitals and the sales of medical equipment along with the growth of sales and installing of medical equipment and software, partially offset by an increase in cash and cash equivalents of RMB130.8 million primarily due to an increase in cash at bank as a result of the D Round **[REDACTED]** Investment.

Our net current liabilities increased from RMB188.4 million as of June 30, 2023 to RMB535.6 million as of October 31, 2023, primarily due to (1) an increase in accruals and other payables of RMB177.7 million primarily due to an increase in payables to third parties in relation to the construction of Shanghai Hospital, and (2) a decrease in cash and cash equivalents of RMB108.7 million primarily due to the utilization of cash to fulfill the working capital requirements of our daily operations during business growth.

## WORKING CAPITAL SUFFICIENCY

We recorded net current liabilities of RMB2,605.1 million and RMB3,433.9 million as of December 31, 2020 and 2021, respectively, primarily attributable to our redeemable capital contribution. We had net liabilities and total deficit of RMB517.9 million and RMB1,157.0 million as of December 31, 2020 and 2021, respectively, primarily attributable to redeemable capital contribution and bank and other borrowings. Our redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, was primarily attributable to the special rights of the **[REDACTED]** Investors included in our financing arrangements, which were recorded as financial liabilities. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. See "History, Development and Corporate Structure—**[REDACTED]** Investments—Special Rights of **[REDACTED]** Investors" and Note 30 to the Accountants' Report in Appendix I to this document for details. Consequently, as of December 31, 2022, we recorded nil redeemable capital contribution, and we had significantly reduced our net current liabilities to RMB149.6 million and returned to a total equity position. Specifically, we recorded net assets and total equity of RMB1,995.6 million as of December 31, 2022 and RMB2,081.3 million as of June 30, 2023.

We seek to improve our liquidity and profitability as well as ensure our working capital sufficiency going forward by driving our operating cash flow through our expanding business as well as implementing cost control measures. See "—Business Sustainability—Driving Continuous Revenue Growth" and "—Business Sustainability—Reducing Costs and Expenses as Percentage of Revenue." We successfully increased our net operating cash inflow from RMB50.6 million in 2020 to RMB151.2 million in 2021. Such continuous growth from 2020 to 2021 was primarily driven by (1) the decrease in amounts due from related parties due to our enhanced collection efforts, (2) the increase in accruals and other payables primarily related to construction costs for our medical institutions to expand our hospital business, primarily including Guangzhou Hospital, (3) the decrease in deposits, prepayments and other receivables as a result of the decrease in prepayment for property, plant and equipment associated with the construction of our medical institutions along with the expansion of our hospital business, and (4) the increase in trade payables along with the growth of our sales and installing of medical equipment and software.

We believe that we have sufficient working capital for the next 12 months from the date of this document after considering (1) our cash and cash equivalents balance of RMB257.3 million as of June 30, 2023, (2) our good track record in being able to raise money from renowned investors to finance our business, as evidenced by three rounds of **[REDACTED]** Investments, (3) unutilized credit facilities of RMB820.0 million from independent third party commercial banks for working capital purposes as of the Latest Practicable Date, (4) **[REDACTED]** of approximately HK$**[REDACTED]** million from the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), and that the **[REDACTED]** is not **[REDACTED]**, (5) proceeds from bank borrowings from other commercial banks for fixed assets investment and construction purposes, (6) the Company's operating requirements including, among others, selling and distribution expenses, administrative expenses, research and development expenses, capital expenditures, and expenses related to the construction and staffing of Shanghai Hospital, and (7) the expected financing cash outflow considering the maturity profile of our bank and other borrowings as of June 30, 2023 and the related borrowings repayment and interest payment schedule in the next 12 months from the date of this document.

We intend to continue to finance our working capital with cash generated from our operations, bank loans, **[REDACTED]** from the **[REDACTED]** and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into consideration of financial resources presently available to us, our Directors are of the view, and the Joint Sponsors concur, that our working capital, which includes available cash and cash equivalents, anticipated cash flow from operations, bank loans and other borrowings, and **[REDACTED]** from the **[REDACTED]**, will be sufficient to meet our present requirements for the next 12 months from the date of this document.

## CAPITAL EXPENDITURES AND COMMITMENTS

### Capital Expenditures

Our capital expenditures during the Track Record Period primarily consisted of purchase of property, plant and equipment, purchase of right-of-use assets, and purchase of intangible assets. Our capital expenditures were RMB794.0 million, RMB750.9 million, RMB197.4 million and RMB47.4 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from our operating activities and bank loans and other borrowings.

We plan to fund our planned capital expenditures by using the cash flow generated from our operations, bank loans, and the **[REDACTED]** received from the **[REDACTED]**. See "Business—Our Future Expansion" for details of our expansion plan and "Future Plans and **[REDACTED]**" for the portion of capital expenditures to be funded by the **[REDACTED]** from the **[REDACTED]**.

### Capital Commitments

The following table sets forth our capital commitments as of the dated indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Capital expenditure authorized and contracted for at the end of the reporting period but not recognized as liabilities: | | | | |
| Acquisition of property, plant and equipment | 142,212 | 62,942 | 20,937 | 15,107 |
| Capital injection in an associate | — | 260,099 | 260,099 | 260,099 |

Capital expenditure authorized and contracted for but not recognized as liabilities represent commitments arising out of a contractual relationship where the relevant property, plant and equipment and capital injection were not provided as of the relevant dates. See Note 34 to the Accountants' Report in Appendix I to this document for details.

## INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated.

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | (RMB in thousands) | | | | |
| | | | | | (Unaudited) |
| **Current indebtedness** | | | | | |
| Bank and other borrowings | 105,519 | 182,780 | 172,018 | 342,216 | 400,706 |
| Convertible bond | — | 20,129 | 20,316 | 20,026 | 20,340 |
| Lease liabilities | 9,236 | 11,972 | 14,633 | 23,475 | 23,948 |
| Redeemable capital contribution | 2,882,260 | 3,625,843 | — | — | — |
| Non-trade amounts due to related parties | 7,343 | 26,084 | 21,802 | 51,847 | 99,753 |
| **Subtotal** | **3,004,358** | **3,866,808** | **228,769** | **437,564** | **544,747** |
| **Non-current indebtedness** | | | | | |
| Bank and other borrowings | 1,858,784 | 2,036,837 | 2,219,514 | 2,075,709 | 2,019,430 |
| Lease liabilities | 195,702 | 186,562 | 187,674 | 191,638 | 186,320 |
| **Subtotal** | **2,054,486** | **2,223,399** | **2,407,188** | **2,267,347** | **2,205,750** |
| **Total** | **5,058,844** | **6,090,207** | **2,635,957** | **2,704,911** | **2,750,497** |

### Redeemable Capital Contribution

Our redeemable capital contribution relates to financial instruments with preferred rights held by **[REDACTED]** Investors. We had redeemable capital contribution of RMB2,882.3 million, RMB3,625.8 million, nil and nil as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively. Our redeemable capital contribution in 2020, 2021, 2022 and the six months ended June 30, 2022, respectively, was primarily attributable to the special rights of the **[REDACTED]** Investors included in our financing arrangements, which were recorded as financial liabilities. All special rights under the **[REDACTED]** Investments had been terminated prior to the submission of the application for the **[REDACTED]**. Accordingly, the redeemable capital contribution was transferred from liabilities to equity upon the termination of the special rights and there will be no more interest charge on redeemable capital contribution regarding such **[REDACTED]** Investments in the future. See "History, Development and Corporate Structure—**[REDACTED]** Investments—Special Rights of **[REDACTED]** Investors" and Note 30 to the Accountants' Report in Appendix I to this document for details.

Our redeemable capital contribution increased during the Track Record Period, in line with an increase in the investments from the **[REDACTED]** Investors and accrued interest. The following table sets forth our redeemable capital contribution as of the dates indicated.

| | As of December 31, | | | As of June 30, 2023 | As of October 31, 2023 |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | | |
| | (RMB in thousands) | | | | |
| | | | | | (Unaudited) |
| Current portion | 2,882,260 | 3,625,843 | — | — | — |
| Non-current portion | — | — | — | — | — |
| **Total** | 2,882,260 | 3,625,843 | — | — | — |

**Bank and Other Borrowings**

Our bank and other borrowings during the Track Record Period consisted primarily of bank borrowings and other borrowings that we used to finance our working capital requirements and capital expenditures. The increase in our bank and other borrowings during the Track Record Period reflects our enhanced financing efforts to accommodate the capital expenditure needs for the expansion of our hospital business, including the construction of medical institutions and purchase and upgrading of medical equipment.

The following table sets forth the breakdown of our bank and other borrowings as of the dates indicated.

| | As of December 31, | | | As of June 30, 2023 | As of October 31, 2023 |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | | |
| | (RMB in thousands) | | | | (Unaudited) |
| **Current** | | | | | |
| Other borrowing | 39,317 | 74,180 | 95,323 | 136,547 | 178,672 |
| Bank borrowing | 66,202 | 108,600 | 76,695 | 205,669 | 222,034 |
| **Total current** | 105,519 | 182,780 | 172,018 | 342,216 | 400,706 |
| **Non-current** | | | | | |
| Other borrowing | 344,770 | 293,142 | 310,416 | 243,898 | 180,004 |
| Bank borrowing | 1,514,014 | 1,743,695 | 1,909,098 | 1,831,811 | 1,839,426 |
| **Total non-current** | 1,858,784 | 2,036,837 | 2,219,514 | 2,075,709 | 2,019,430 |
| **Total** | 1,964,303 | 2,219,617 | 2,391,532 | 2,417,925 | 2,420,136 |

As of December 31, 2020, 2021, 2022 and June 30, 2023, our bank facilities available for use were RMB1,900.0 million, RMB2,020.0 million, RMB3,225.0 million and RMB3,515 million, respectively. As of the same dates, we had utilized RMB1,505.6 million, RMB1,894.5 million, RMB2,048.0 million and RMB2,073 million, respectively. The bank borrowings bear interest at floating interest rates. In 2020, 2021, 2022 and the six months ended June 30, 2023, the effective interest rates of our bank borrowings ranged from 4.20% to 5.88%, 4.20% to 6.45%, 4.20% to 6.45% and 3.80% to 6.20% per annum, respectively. As of the Latest Practicable Date, our bank facilities available for use was RMB3,525 million, of which we had utilized RMB2,089 million.

Our other borrowings primarily represented borrowings from our related parties and third parties. In 2020, 2021, 2022 and the six months ended June 30, 2023, the effective interest rates of our other borrowings ranged from 10.13% to 14.35%, 7.5% to 10.1%, 6.7% to 10.1% and 6.7% to 10.1% per annum, respectively. See "—Related Party Transactions" and Note 27 to the Accountants' Report in Appendix I to this document for details.

The following table sets forth the maturity profile of our bank and other borrowings as of the dates indicated.

| | As of December 31, | | | As of June 30, 2023 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | (RMB in thousands) | | | |
| Within one year | 105,519 | 182,780 | 172,018 | 342,216 |
| After one year but within two years | 230,100 | 225,996 | 338,157 | 390,737 |
| After two years but within five years | 1,178,180 | 1,359,539 | 1,412,947 | 1,587,972 |
| Over five years | 450,504 | 451,302 | 468,410 | 97,000 |
| **Total** | 1,964,303 | 2,219,617 | 2,391,532 | 2,417,925 |

***Financial Covenants***

We are subject to certain restrictive covenants under the terms of our bank borrowings, which are commonly found in loan arrangements with banks in China, and may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, the use of proceeds and pledged assets related to the borrowings and our ability to incur additional debt or make guarantees, engage in change-in-control transactions, make long-term investments, incur liens to third parties, pay dividends or distributions on our capital stock, transfer indebtedness, sell, transfer or otherwise dispose of assets related to the borrowings, and reduce our working capital. Furthermore, some of our bank borrowings are subject to the fulfillment of covenants relating to certain of our financial ratios, as are commonly found in loan arrangements with financial institutions. See "Risk Factors—Risks Relating to Our Business and Industry—Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions."

Our Directors confirm that we did not have any material default in payment of bank loans and other borrowings, and did not breach any material covenants in relation to the bank loans and other borrowings mentioned above in all material aspects, during the Track Record Period and up to the Latest Practicable Date.

Our Directors further confirm that we did not experience any material difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

***Security and Guarantees***

As of December 31, 2020, 2021, 2022 and June 30, 2023, our secured and guaranteed bank and other borrowings were RMB1,934.7 million, RMB2,219.6 million, RMB2,391.5 million and RMB2,402.9 million, respectively. As of the same dates, our non-secured bank and other borrowings were RMB29.6 million, nil, nil and RMB15.0 million, respectively.

Our outstanding bank and other borrowings are denominated in RMB. The secured bank and borrowings are secured by our assets with the following carrying amounts as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Right-of-use asset | 414,470 | 405,116 | 395,972 | 391,293 |
| Medical equipment | 136,797 | 113,724 | 184,360 | 161,202 |
| Trade receivables | 8,953 | — | 10,826 | 13,417 |
| Construction in progress | 1,380,557 | 1,682,320 | 1,788,134 | 1,828,604 |
| **Total** | 1,940,777 | 2,201,160 | 2,379,292 | 2,394,516 |

In addition, as of December 31, 2020, 2021, 2022 and June 30, 2023, certain bank borrowings with total carrying amounts of RMB1,352.9 million, RMB1,448.3 million, RMB1,081.7 million and RMB1,119.6 million, respectively, were secured by the issued share capital of Guangzhou Hospital, Shanghai Hospital and Shanghai Imaging Center, and were guaranteed by our Company. As of December 31, 2020, 2021, 2022 and June 30, 2023, certain bank borrowings with total carrying amounts of RMB102.1 million, RMB119.7 million, RMB882.1 million and RMB882.9 million, respectively, were secured by the revenue of Shanghai Imaging Center and Shanghai Outpatient Center. As of December 31, 2020, 2021 and 2022 and June 30, 2023, bank and other borrowings (including the borrowings with security or guarantees provided by our Group) with total carrying amounts of RMB736.6 million, RMB911.5 million, RMB33.7 million and RMB35.8 million, were guaranteed by Dr. Yang. See Note 27 to the Accountants' Report included in Appendix I to this document for details. As of the Latest Practicable Date, we had an aggregate of approximately RMB32.9 million outstanding loans (including accrued interest) guaranteed by Dr. Yang and/or his spouse, and such guarantees will not be released prior to the **[REDACTED]** because we believe an early release of such guarantees would be impractical and not in the best interests of us and our Shareholders. See "Relationship with our Controlling Shareholders—Independence from the Controlling Shareholders—Financial Independence" for further details.

**Lease liabilities**

The following table sets forth the breakdown of our lease liabilities as of the dates indicated.

| | As of December 31, | | | As of June 30, 2023 | As of October 31, 2023 |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | | |
| | (RMB in thousands) | | | | (Unaudited) |
| Current portion | 9,236 | 11,972 | 14,633 | 23,475 | 23,948 |
| Non-current portion | 195,702 | 186,562 | 187,674 | 191,638 | 186,320 |
| **Total** | 204,938 | 198,534 | 202,307 | 215,113 | 210,268 |

The following table sets forth the maturity of our lease liabilities as of the dates indicated.

| | As of December 31, | | | As of June 30, 2023 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | (RMB in thousands) | | | |
| Within one year | 24,444 | 26,471 | 27,202 | 33,066 |
| One year to two years | 24,291 | 24,062 | 26,642 | 29,279 |
| Two years to five years | 24,018 | 22,535 | 24,066 | 27,621 |
| Over five years | 280,960 | 258,425 | 237,930 | 233,215 |
| Less: future finance charges | (148,775) | (132,959) | (113,533) | (108,068) |
| **Total** | 204,938 | 198,534 | 202,307 | 215,113 |

Save as disclosed above, as of October 31, 2023, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities.

Since October 31, 2023 and up to the Latest Practicable Date, there had not been any material change in our indebtedness.

## CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against us or any member of our Group that is likely to have a material and adverse effect on our business, financial condition and result of operations.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

## [REDACTED] EXPENSES

We expect to incur a total of approximately RMB**[REDACTED]** million of **[REDACTED]** upon the completion of the **[REDACTED]**, representing approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the **[REDACTED]** between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not **[REDACTED]**), including (1) **[REDACTED]**-related expenses, which consists of sponsor fee and **[REDACTED]**, of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), and (2) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million), which consist of (i) fees and expenses of legal advisors and accountants of approximately RMB**[REDACTED]** million (HK$[**REDACTED**] million), and (ii) other fees and expenses of approximately RMB**[REDACTED]** million (HK$**[REDACTED]** million). During the Track Record Period, we incurred **[REDACTED]** expenses of approximately RMB**[REDACTED]** million, out of which approximately RMB**[REDACTED]** million was charged to our consolidated statements of profit or loss as administrative expenses, while the remaining amount of approximately RMB**[REDACTED]** million was directly attributable to the **[REDACTED]** of Shares will be deducted from equity upon the completion of the **[REDACTED]**. We expect to further incur **[REDACTED]** expenses of approximately RMB**[REDACTED]** million upon completion of the **[REDACTED]**, out of which approximately RMB**[REDACTED]** million is expected to be charged to our consolidated statements of profit or loss and approximately RMB**[REDACTED]** million is expected to be deducted from equity. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

In view of the above, prospective investors should note that the financial results of our Group for 2023 will be adversely affected by the non-recurring expenses in relation to the **[REDACTED]**. Our Directors would like to emphasize that the expenses in relation to the **[REDACTED]** are a current estimate for reference only and the amounts to be recognized in the equity and the statement of results of operation of our Group are subject to adjustment due to changes in estimates and assumptions.

## RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. During the Track Record Period, we entered into a number of related party transactions, primarily including (1) purchase of medical equipment from related parties, (2) fund advances and interest expenses on borrowings from related parties, (3) fund advances to related parties, (4) provision of management and technical support services to related parties, and (5) certain services provided by related parties.

The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| **Amounts due from related parties:** | | | | |
| ***Trade in nature*** | | | | |
| Shanghai Medstar[(1)] | 427,831 | 200,545 | 57,890 | 58,203 |
| Sub-total | 427,831 | 200,545 | 57,890 | 58,203 |
| ***Non-trade in nature*** | | | | |
| Tianjin Jiatai Enterprise Management Center (Limited Partnership) (天津市嘉泰企業管理中心（有限合夥）)[(2)] | 4,106 | — | — | — |
| Beijing Century Friendship[(2)] | N/A | 5,516 | — | — |
| Shanghai Medstar[(3)] | 1,691 | 183,458 | — | — |
| Guangdong Proton International Hospital Management Co., Ltd. (廣東質子國際醫院管理有限公司) ("Guangdong Proton")[(2)] | — | 117,337 | 137,621 | 143,580 |
| Sub-total | 5,797 | 306,311 | 137,621 | 143,580 |
| **Total** | 433,628 | 506,856 | 195,511 | 201,783 |
| **Amounts due to related parties:** | | | | |
| ***Non-trade in nature*** | | | | |
| Concord Medical Services Holdings Ltd.[(4)] | 957 | 957 | — | — |
| CCM (Hong Kong) Medical Investments Limited[(4)] | 648 | — | — | — |
| Beijing Concord[(4)] | 437 | — | — | 343 |
| Zeng Zhaopeng (曾昭鵬)[(4)] | 257 | 258 | — | — |
| Shanghai Medstar[(6)] | — | — | 19,502 | 49,204 |
| Medstar (Guangzhou) Medical Technology Services Ltd. (醫星（廣州）醫療技術服務有限公司) ("Guangzhou Medstar")[(5)] | 191,669 | 281,687 | 279,057 | 267,174 |
| Our Medical Services Ltd.[(7)] | 4,869 | 4,869 | — | — |
| Jiaxue (Shanghai) Medical Technology Service Co., Ltd. (嘉學（上海）醫療技術服務有限公司) ("Jiaxue")[(8)] | — | 20,000 | — | — |
| Zhejiang Marine Leasing Co., Ltd. (浙江海洋租賃股份有限公司) ("Zhejiang Marine")[(9)] | 54,356 | 55,474 | 89,134 | 86,693 |
| Shanghai Changshengshu Enterprise Management Co., Ltd. (上海長生樹企業管理有限公司) ("Shanghai Changshengshu")[(10)] | N/A | N/A | 2,000 | 2,000 |
| Guangzhou Yicheng Biological Immunity Technology Co., Ltd. (廣州逸誠生物免疫技術有限公司) ("Guangzhou Yicheng")[(10)] | N/A | N/A | 300 | 300 |
| **Total** | 253,193 | 363,245 | 389,993 | 405,714 |

(1) Represented the prepayment for the medical equipment procurement for the use in our business operation from Shanghai Medstar.

(2) Represented fund advances to these related parties for their general working capital needs, which were unsecured, interest free and collectable on demand, except for the fund advances to Guangdong Proton for its loan repayments and such fund advances had a fixed annual interest rate of 4.35% and were collectable on due date.

(3) The ending balance as of December 31, 2020 represented fund advances to Shanghai Medstar for their general working capital needs, which was unsecured, interest free and collectable on demand. The ending balances as of December 31, 2021 and December 31, 2022 represented the disposal of our equity interest in Beijing Century Friendship to Shanghai Medstar.

(4) Represented fund advances from these related parties for our general working capital needs, which were unsecured, interest free and repayable on demand.

(5) Represented borrowings from Guangzhou Medstar for our general working capital needs, partially offset by advances to Guangzhou Medstar for their general working capital needs.

(6) Represented fund advances from Shanghai Medstar for our general working capital needs, which were unsecured, interest free and collectable on demand, and borrowings from Shanghai Medstar.

(7) Represented the tax refund due to Our Medical Services Ltd. for the enterprise income tax we withheld on the payables to them in connection with our acquisition of Shenzhen Aohua from Our Medical Services Ltd.

(8) Represented fund advances from Jiaxue to Beijing Healthingkon in connection with the acquisition of Beijing Healthingkon.

(9) Represented borrowings from Zhejiang Marine for our general working capital needs.

(10) Represented equity investment in these related parties for our business expansion.

We had the following related party transactions for the periods indicated.

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | (RMB in thousands) | | | (Unaudited) | |
| Purchase of equipment | | | | | |
| - Shanghai Medstar[(1)] | 376,242 | 222,480 | 20,019 | 119 | — |
| Interest expense on borrowing | | | | | |
| - Shanghai Medstar[(2)] | 2,810 | 2,402 | — | — | — |
| - Guangzhou Medstar[(2)] | 2,133 | 33,030 | 32,280 | 18,609 | 15,922 |
| - Zhejiang Marine[(2)] | 21,557 | 5,562 | 7,846 | 3,132 | 4,071 |
| Interest income on borrowing | | | | | |
| - Guangdong Proton[(3)] | — | — | (6,961) | (3,410) | (3,493) |
| **Total** | 402,742 | 263,474 | 53,184 | 18,450 | 16,500 |

(1) Represented the medical equipment procurement for the use in our business operation from Shanghai Medstar. Such medical equipment procurement transactions with Shanghai Medstar are expected to be completed and terminated before **[REDACTED]**.

(2) The transaction amounts represented interest expenses on borrowings from these related parties.

(3) The transactions amounts represented interest income on fund advances to Guangdong Proton.

Save for the amounts due to Guangzhou Medstar under the transaction as further described in "Relationship with our Controlling Shareholders—Independence from the Controlling Shareholders—Financial Independence," we plan to settle all non-trade amounts due from/to related parties prior to the **[REDACTED]**. See Note 32 to the Accountants' Report included in Appendix I to this document for details.

Our Directors are of the view that our related party transactions during the Track Record Period were conducted in the ordinary course of business at arm's length with reference to normal commercial terms, and did not distort our track record results or make our historical results not reflective of our future performance.

## KEY FINANCIAL RATIOS

| | As of/ for the year ended December 31, | | | As of/ for the six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| **Profitability:** | | | | |
| Gross margin[(1)] | 4.4% | (10.0)% | (30.2)% | (12.3)% |
| Net margin[(2)] | (355.5)% | (176.6)% | (135.0)% | (75.1)% |
| **Liquidity:** | | | | |
| Current ratio[(3)] | 0.21 | 0.20 | 0.84 | 0.83 |
| Quick ratio[(4)] | 0.21 | 0.19 | 0.75 | 0.79 |

(1) The calculation of gross margin is based on gross profit/(loss) for the period divided by revenue for the respective period and multiplied by 100.0%.

(2) The calculation of net margin is based on loss for the period divided by revenue for the respective period and multiplied by 100.0%.

(3) The calculation of current ratio is based on current assets divided by current liabilities as of period end.

(4) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of period end.

## Analysis of Key Financial Ratios

### *Gross Margin and Net Margin*

See "—Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross margin and net margin during the Track Record Period.

### *Current Ratio and Quick Ratio*

Our current ratio remained relatively stable at 0.20 as of December 31, 2021 compared to 0.21 as of December 31, 2020. Our current ratio increased to 0.84 as of December 31, 2022, primarily due to a decrease in current liabilities primarily attributable to the designation of redeemable capital contribution from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments. Our current ratio remained relatively stable at 0.83 as of June 30, 2023.

Our quick ratio remained relatively stable at 0.19 as of December 31, 2021 compared to 0.21 as of December 31, 2020. Our quick ratio increased to 0.75 as of December 31, 2022, primarily due to a decrease in current liabilities primarily attributable to the designation of redeemable capital contribution from liabilities to equity upon the termination of the special rights under the **[REDACTED]** Investments. Our quick ratio remained relatively stable at 0.79 as of June 30, 2023.

## PROPERTY VALUATION

Asia-Pacific Consulting and Appraisal Limited, an independent property valuation firm, has valued the property interests held by us as of October 31, 2023. The text of its letter, a summary of values and relevant valuation certificates are included in the property valuation report as set forth in Appendix III to this document.

A reconciliation of the net book value of relevant properties as of June 30, 2023 and the value of such properties as of October 31, 2023 in the property valuation report, as required under Rule 5.07 of the Listing Rules, is set out below.

| | **RMB in thousands** |
|---|---|
| Net book value of relevant properties as of June 30, 2023 | 2,708,062 |
| Buildings | 716,821 |
| Construction in progress | 1,599,948 |
| Right-of-use assets | 391,293 |
| Add: Additions during the four-month period from July 1, 2023 to October 31, 2023 | 189,494 |
| Less: Depreciation and amortization during the four-month period from July 1, 2023 to October 31, 2023 | (9,233) |
| Net book value of relevant properties as of October 31, 2023 | 2,888,323 |
| Valuation surplus | 41,484 |
| Value of the relevant properties as of October 31, 2023 in the property valuation report[(1)] | 2,929,807 |

(1) Includes (i) market value of the relevant properties of RMB2,186,203,000 as of October 31, 2023 and (ii) depreciated replacement cost of the complex building of Guangzhou Hospital of RMB743,604,000 as of the same date, assuming all relevant title certificates have been obtained and could be freely transferred.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal financial instruments include trade receivables, deposits and other receivables, amounts/ amount due from/(to) related parties, restricted cash, cash and cash equivalents, trade payables, accruals and other payables, bank and other borrowings, lease liabilities, convertible bond and redeemable capital contributions. We are exposed to various financial risks including interest rate risk, credit risk and liquidity risk. Our overall risk management focuses on the unpredictability of financial markets to minimize potential adverse effects on our financial performance. Our senior management is responsible for our risk management.

Our Directors reviewed and agreed policies for managing each of these risks as summarized below. For details of our financial risk management, see Note 37(b) to the Accountants' Report in Appendix I to this document.

**Interest Rate Risk**

We have no significant interest-bearing assets other than bank deposits. Bank balances at floating rates expose us to cash flow interest rate risk. Our exposure to market risk for changes in interest rates relates primarily to bank balances which bear floating interest rates. Our management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

Our fair value interest-rate risk mainly arises from bank and other borrowings. Bank and other borrowings were issued at fixed rates which expose us to fair value interest-rate risk. We have no cash flow interest-rate risk arising from borrowings as there are no borrowings which bear floating interest rates. We have not used any financial instruments to hedge potential fluctuations in interest rates.

**Credit Risk**

We are exposed to credit risk in relation to our trade and other receivables, amounts due from related parties, and cash deposits at banks. We manage our credit risk on a group basis.

To manage this risk, our cash deposits are mainly placed with state-owned or other reputable financial institutions in China. There has been no recent history of default in relation to these financial institutions. Thus, Our Directors are of the view that the expected credit loss related to cash and cash equivalents is immaterial.

See Note 4(iv) to the Accountants' Report in Appendix I to this document for details on impairment of financial assets.

**Liquidity Risk**

In order to manage liquidity risk, we monitor and maintain a level of reserves and banking facilities deemed adequate by our senior management to finance our operations and mitigate the effects of fluctuations in cash flows. See Note 37(b)(iii) to the Accountants' Report in Appendix I to this document for details.

**DIVIDEND**

We are a holding company incorporated under the laws of the PRC. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

According to the PRC Company Law, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisor, our PRC companies cannot pay dividends if such companies are in an accumulated loss position.

During the Track Record Period, we did not declare or pay any dividend. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, our capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Dividends declared in the past may not be indicative of our future dividend policy. Our Directors have the absolute discretion to recommend any dividend. We cannot assure you that our Company will be able to declare dividends of any amount each year or in any year.

## DISTRIBUTABLE RESERVES

As of June 30, 2023, we had no distributable reserves.

## DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Pursuant to Rule 13.18 of the Listing Rules, a general disclosure obligation will arise where an issuer or any of its subsidiaries enters into a loan agreement that includes a condition imposing specific performance obligations on any controlling shareholders, such as a requirement to maintain a specified minimum holding in the share capital of the issuer.

Certain of our banking facilities include conditions that, among others, our Controlling Shareholders, shall maintain their control of our Group, which will constitute a specific performance by our Controlling Shareholders under a loan agreement entered into by our Group under Rule 13.18 of the Listing Rules.

Our Directors have confirmed that, save as disclosed above, as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## COVID-19 PANDEMIC AND EFFECTS ON OUR BUSINESS

A novel strain of coronavirus, COVID-19, has severely impacted China and many other countries and regions. Our Directors reviewed the impact of the COVID-19 pandemic on our operations and confirmed that as of the Latest Practicable Date, COVID-19 pandemic did not bring permanent interruption to our operations based on the following grounds.

### Impact on Our Business

The COVID-19 pandemic resulted in temporary closures of many corporate offices, healthcare institutions, manufacturing facilities and factories. For instance, as a result of the regional resurgence of COVID-19, our Shanghai Imaging Center and Shanghai GP Clinic temporarily closed from April 2022 to May 2022, and our Shanghai Outpatient Center temporarily closed from April 2022 to June 2022. As a result, (1) the number of outpatient visits for Shanghai Imaging Center decreased to approximately 0.4 thousand in the second quarter of 2022 as compared to approximately 4.3 thousand in the same period of 2021 and approximately 2.1 thousand in the first quarter of 2022, (2) the number of outpatient visits for Shanghai GP Clinic decreased to approximately 0.2 thousand in the second quarter of 2022 as compared to approximately 0.9 thousand in the first quarter of 2022, and (3) the number of outpatient visits for Shanghai Outpatient Center decreased to approximately 0.3 thousand in the second quarter of 2022 as compared to approximately 4.5 thousand in the same period of 2021 and approximately 4.2 thousand in the first quarter of 2022. In addition, (1) revenue generated from Shanghai Imaging Center was RMB38.7 million and RMB31.1 million in 2021 and 2022, respectively, and (2) revenue generated from Shanghai Outpatient Center was RMB87.7 million and RMB58.3 million in 2021 and 2022, respectively. Our Datong Clinic closed for a total of several days from July 2021 to April 2022. In addition, our Datong Hospital also temporarily closed from February 2020 to March 2020 and experienced decrease in patient visits and difficulties for employees to work on-site in October and November 2022 during the regional COVID-19 resurgence in Datong city. We experienced difficulties managing the daily operation of such medical institutions as a result of the temporarily closure amid the COVID-19 pandemic. In addition, our Guangzhou Hospital and Guangzhou Outpatient Center have experienced patient appointment cancellations and difficulties for employees to work on-site during the regional COVID-19 resurgence in Guangzhou city in the second half of 2022.

Moreover, the construction projects of our Shanghai Hospital and Guangzhou Hospital were to some extent delayed due to the temporary suspension and postponement of construction activities caused by the COVID-19 pandemic. For example, the topping-out for Shanghai Hospital was postponed from March 30, 2020 as originally scheduled to August 30, 2020, and the completion time for exterior wall construction was expected to be postponed from June 30, 2021 to January 2023. As such, our Guangzhou Hospital did not become operational until June 2021, which was six months in delay compared with the original plan. We have also experienced certain negative impact of COVID-19 pandemic on our medical equipment, software and related services, primarily including (1) the delay in logistics for delivery, installation and acceptance of medical equipment, primarily including large-scale medical equipment, as impacted by the less frequent transportation and travel of the relevant technical staff amid the regional resurgence of COVID-19 pandemic in 2022, and (2) reduced offline marketing activities amid the regional COVID-19 resurgence, especially in Shanghai.

We expect that our business will not be severely disrupted in the long run for the following reasons. As the situation in China eased, we have experienced an increase in the demand for our sales and installing of medical equipment and software and other services, and a recovery in the demand for the oncology healthcare service in our medical institutions. Additionally, although patients who are not in severe conditions may reduce their inpatient visits during the COVID-19 pandemic, we expect the demand of oncology healthcare services would restore in the long term because the COVID-19 pandemic merely delayed such demand in a short term rather than eliminate the patients' needs for oncology healthcare services. For instance, the numbers of outpatient visits and inpatient visits for our medical institutions increased from 25,189 and 1,282 in the six months ended June 30, 2022 to 41,810 and 1,757 in the same period of 2023, respectively. Such numbers further reached 68,437 and 3,085 in the ten months ended October 31, 2023, respectively. Furthermore, although our hospital business was adversely impacted by the COVID-19 pandemic, such pandemic has boosted the market demand for remote medical service, which could have a positive effect on our medical equipment, software and related services which has generally resumed growth upon ease of the outbreak. In particular, local governments have increased their financial support for and investment in the medical equipment and software in public hospitals in response to the shortened medical supply during the pandemic, creating more demands for our sales and installing of medical equipment and software. In the backdrop of the COVID-19 pandemic, we also launched our cloud platforms and Internet Hospital to offer various digital medical services to our enterprise customers and individual patients.

**Impact on Our Employees**

We adopted a flexible work arrangement amid the COVID-19 pandemic, allowing our employees to work from home to the extent possible. We had not experienced any material employee loss due to the COVID-19 pandemic as of the Latest Practicable Date. We have been granted deduction in the contribution of social insurance premiums for our employees of approximately RMB13.8 million and deduction in lease payments of approximately RMB1.9 million in 2020, according to relevant government relief policies during the COVID-19 pandemic.

**Impact on Our Supply Chain**

Our suppliers primarily include suppliers of medical equipment and consumables. Historically, we relied on domestic suppliers from regions under the impact of COVID-19 pandemic and international suppliers for certain of our equipment and consumables. Although the operations of suppliers and freight have been affected by the COVID-19 pandemic, we have not experienced any material negative impact on our supply chain as of the Latest Practicable Date, primarily because we (1) assembled an internal monitoring group that actively evaluate the market supply and demand of our medical equipment and consumables and our inventory level, (2) maintained a timely and responsive communication mechanism with our suppliers, (3) made projections based on available information and requested delivery in advance, and (4) adopted various delivery arrangements, such as ocean shipping and air freight to maintain adequate safety stock. As of the Latest Practicable Date, we had not experienced any major supply chain disruption.

**Our Precautionary Measures**

We adopted several precautionary measures to maintain a hygienic working environment and ensure the safety of our physicians and patients amid the COVID-19 pandemic, such as adopting COVID-19 disinfecting procedures for our medical institutions, requiring our employees to wear masks and other protective equipments and implementing internal reporting system.

We cannot predict whether or when the impact from COVID-19 pandemic will be eradicated, and our business operations could also be adversely affected by other public health threats or pandemics. We are closely monitoring health pandemics, natural disasters and extraordinary events, and continuously evaluating any potential impact on our business, results of operations and financial condition. See "Risk Factors—Risks Relating to Our Business and Industry—Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, such as the COVID-19 pandemic, could prevent our medical institutions from effectively serving their patients and thus adversely affect our results of operations" for the associated risks and challenges.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since June 30, 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I to this document.

## UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of **[REDACTED]** Financial Information for Inclusion in Investment Circulars" issued by the HKICPA, and is to illustrate the effect of the **[REDACTED]** on our consolidated net tangible assets as of June 30, 2023 as if it had taken place on that date.

Our unaudited **[REDACTED]** adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the **[REDACTED]** been completed as of June 30, 2023 or any future date. It is prepared based on our consolidated net tangible assets as of June 30, 2023 as set out in the Accountants' Report in Appendix I to this document, and adjusted as described below.

| | Consolidated net tangible assets of our Group as of June 30, 2023(1) | Estimated [REDACTED] from the [REDACTED](2) | Unaudited [REDACTED] adjusted consolidated net tangible assets | Unaudited [REDACTED] adjusted consolidated net tangible assets per Share(3) | |
|---|---|---|---|---|---|
| | (RMB in thousands) | | | RMB | HK$(4) |
| Based on an **[REDACTED]** of HK$**[REDACTED]** per H Share . . . . . . . . . | 1,364,974 | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Based on an **[REDACTED]** of HK$**[REDACTED]** per H Share . . . . . . . . . | 1,364,974 | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |

(1) The consolidated net tangible assets of the Group attributable to the owners of the Company of RMB1,364,974,000 as at June 30, 2023 have been derived from consolidated net assets of the Group as at June 30, 2023 of RMB2,081,322,000, after deduction of intangible assets and goodwill attributable to owners of the Company of RMB422,527,000 and non-controlling interest of RMB293,821,000 as shown in Accountants' Report set out in Appendix I to this document. The intangible assets and goodwill attributable to owners of the Company have been derived from intangible assets of RMB861,913,000 as shown in Accountants' Report set out in Appendix I to this document, after deduction of intangible assets and goodwill attributable to non-controlling interest of RMB439,387,000.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on our **[REDACTED]** of **[REDACTED]** Shares at the **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per Share, being the lower end to higher end of the stated **[REDACTED]** range, after deduction of the estimated **[REDACTED]** fees and commissions and other estimated expenses paid or payable by the Group in relation to the **[REDACTED]** which have not been charged to consolidated profit or loss during the Track Record Period. The estimated **[REDACTED]** from the **[REDACTED]** are converted from Hong Kong dollars into RMB at an exchange rate of HK$1.0 to RMB0.9124, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing on November 24, 2023. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all. No account has been taken of any Shares which may be issued upon the **[REDACTED]** of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

(3) The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is arrived after adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares were in issue immediately upon completion of the

**[REDACTED]** (without taking into account of any Shares which may be allotted and issued upon **[REDACTED]** of the **[REDACTED]**), which is assumed to be on June 30, 2023 for the purpose of the **[REDACTED]** financial information.

(4) The unaudited **[REDACTED]** adjusted consolidated net tangible liabilities attributable to owners of our Company per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.9124 prevailing on November 24, 2023.

(5) The Group's property interests as at October 31, 2023 have been valued by Asia-Pacific Consulting and Appraisal Limited, an independent property valuer and consultant. The above unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests amounting to approximately RMB41,484,000. Revaluation surplus has not been recorded in the historical financial information of the Group and will not be recognized in the consolidated financial statements of the Group in future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any in accordance with the accounting policy and subject to any change in accounting standards. If the revaluation surplus were recognized in the Group's consolidated financial statements, additional annual depreciation of approximately RMB988,000 would be charged against the profit or loss in future periods.

(6) No adjustment has been made to the unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group to reflect any trading or other transactions of the Group entered into subsequent to June 30, 2023.

## FUTURE PLANS

For a detailed description of our future plans, see "Business—Growth Strategies."

## [REDACTED]

We estimate that the **[REDACTED]** of the **[REDACTED]**, after deducting the estimated **[REDACTED]** and other fees and expenses payable by us in connection with the **[REDACTED]**, will be approximately HK$**[REDACTED]** million, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), and that the **[REDACTED]** is not **[REDACTED]**.

We currently intend to use the **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts as set out below.

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, to repay part of our interest-bearing bank borrowings denominated in Renminbi, namely the principal of an interest-bearing bank loan with the principal amount of RMB**[REDACTED]** million bearing a floating interest rate based on the reference rate of 4.90% per annum, with repayment scheduled by installment and a final maturity date on December 21, 2027, for financing the phase I construction of Guangzhou Hospital.

The following table sets forth the repayment schedule for the principal and interest amounts of the interest-bearing bank loan with the principal amount of RMB**[REDACTED]** million.

| Principal/Interest | Amount (RMB in millions) | Date |
|---|---|---|
| Principal | **[REDACTED]** | December 20, 2023 |
| Principal | **[REDACTED]** | June 20, 2024 |
| Principal | **[REDACTED]** | December 20, 2024 |
| Principal | **[REDACTED]** | June 20, 2025 |
| Principal | **[REDACTED]** | December 20, 2025 |
| Principal | **[REDACTED]** | June 20, 2026 |
| Principal | **[REDACTED]** | December 20, 2026 |
| Principal | **[REDACTED]** | June 20, 2027 |
| Principal | **[REDACTED]** | December 20, 2027 |
| Interest | **[REDACTED]** | December 21, 2023 |
| Interest | **[REDACTED]** | March 21, 2024 |
| Interest | **[REDACTED]** | June 21, 2024 |
| Interest | **[REDACTED]** | September 21, 2024 |
| Interest | **[REDACTED]** | December 21, 2024 |
| Interest | **[REDACTED]** | March 21, 2025 |
| Interest | **[REDACTED]** | June 21, 2025 |
| Interest | **[REDACTED]** | September 21, 2025 |
| Interest | **[REDACTED]** | December 21, 2025 |
| Interest | **[REDACTED]** | March 21, 2026 |
| Interest | **[REDACTED]** | June 21, 2026 |
| Interest | **[REDACTED]** | September 21, 2026 |
| Interest | **[REDACTED]** | December 21, 2026 |
| Interest | **[REDACTED]** | March 21, 2027 |
| Interest | **[REDACTED]** | June 21, 2027 |
| Interest | **[REDACTED]** | September 21, 2027 |
| Interest | **[REDACTED]** | December 21, 2027 |

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, for financing the construction of Shanghai Hospital, which is expected to commence the operation in January 2026. In particular, we currently plan to apply all of the above **[REDACTED]** for financing the construction of Shanghai Hospital with the details and in the percentages set out below, which is subject to changes based on our actual needs and market conditions at the relevant time. We intend to use (1) approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, to pay construction fees; and (2) approximately **[REDACTED]**% of the [**REDACTED**], or HK$**[REDACTED]** million, to purchase medical equipment and medical consumables, primarily including advanced cancer diagnosis and treatment equipment including, among others, three sets of linear accelerators, to refine our clinical practice and develop specialized treatment technologies for localized cancers, such as liver cancer and offer premium, bespoke services to address diversified personal needs of individual patients;

The following table sets forth our current plan to apply the **[REDACTED]** for financing the construction of Shanghai Hospital, which is subject to changes based on our actual needs and market conditions at the relevant time.

| | 2023 | | 2024 | | 2025 | |
|---|---|---|---|---|---|---|
| | (HK$ in millions) | % of the [REDACTED] | (HK$ in millions) | % of the [REDACTED] | (HK$ in millions) | % of the [REDACTED] |
| Payment for the construction fee | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Purchasing medical equipment and medical consumables | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| **Total** | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, for working capital and other general corporate purposes.

The above allocation of the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed below or above the mid-point of the **[REDACTED]**. Any additional **[REDACTED]** received from the **[REDACTED]** of the **[REDACTED]** will also be allocated to the above purposes on a pro rata basis. In the event that the **[REDACTED]** is **[REDACTED]** in full, we will receive **[REDACTED]** of HK$**[REDACTED]** million (after deducting the estimated **[REDACTED]** and other fees and expenses payable by us in connection with the **[REDACTED]** and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of our **[REDACTED]**).

To the extent that the **[REDACTED]** are not immediately applied to the above purposes, we will deposit the **[REDACTED]** into short-term demand deposits with licensed banks or other authorized financial institutions so long as it is deemed to be in the best interests of our Company.

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

[REDACTED]

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

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[REDACTED]

[REDACTED]

**[REDACTED]**

**[REDACTED]**

**[REDACTED]**

[REDACTED]

[REDACTED]

**[REDACTED]**

[REDACTED]

**[REDACTED]**

[REDACTED]

[REDACTED]

**[REDACTED]**

*The following is the text of a report received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this document.*

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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CONCORD HEALTHCARE GROUP CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED**

***Introduction***

We report on the historical financial information of Concord Healthcare Group Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages I-3 to I-66, which comprises the consolidated statements of financial position as at December 31, 2020, 2021, 2022 and June 30, 2023, and the statement of the financial position of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 (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-3 to I-66 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

***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 presentation and preparation set out in Note 3.1 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 accountants' 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.

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 accountants' judgment, 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 accountants consider 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 presentation and preparation set out in Note 3.1 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 accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2020, 2021, 2022 and June 30, 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3.1 to the Historical Financial Information.

***Review of Stub Period Comparative Historical Financial Information***

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and the other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of presentation and preparation set out in Notes [3.1] to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes [3.1] to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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-3 have been made.

***Dividends***

We refer to Note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**BDO Limited**
Certified Public Accountants

**Wan Che Bun**
Practicing Certificate Number P05804
Hong Kong, [Date]

## I. HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period (also referred to as the "**Relevant Periods**"), on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the ''**Underlying Financial Statements**'') and were audited by BDO Limited.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

### Consolidated Statements of Profit or Loss and Other Comprehensive Income

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | Notes | 2020 | 2021 | 2022 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Revenue** | 6 | 166,321 | 470,505 | 472,170 | 143,810 | 285,179 |
| Cost of revenue | | (158,967) | (517,646) | (614,783) | (230,172) | (320,151) |
| **Gross profit/(loss)** | | **7,354** | **(47,141)** | **(142,613)** | **(86,362)** | **(34,972)** |
| Other income and other net (losses)/gains | 7 | (11,806) | (7,788) | 85,449 | 34,626 | 11,304 |
| Selling and distribution expenses | | (21,045) | (50,292) | (60,883) | (25,856) | (26,361) |
| Administrative expenses | | (237,498) | (255,265) | (213,117) | (100,396) | (93,760) |
| Research and development expenses | | (11,273) | (40,381) | (41,316) | (17,656) | (18,518) |
| Share of associates' results | | (68) | (159) | (215) | (100) | (1,219) |
| Finance costs | 8 | (323,473) | (435,311) | (274,475) | (222,457) | (54,859) |
| **Loss before income tax credit** | 9 | **(597,809)** | **(836,337)** | **(647,170)** | **(418,201)** | **(218,385)** |
| Income tax credit | 10 | 6,468 | 5,204 | 9,948 | 3,134 | 4,128 |
| **Loss and total comprehensive income for the year/period** | | **(591,341)** | **(831,133)** | **(637,222)** | **(415,067)** | **(214,257)** |
| Attribute to: | | | | | | |
| Owners of the Company | | (583,261) | (816,593) | (541,404) | (381,206) | (194,276) |
| Non-controlling interests | | (8,080) | (14,540) | (95,818) | (33,861) | (19,981) |
| | | (591,341) | (831,133) | (637,222) | (415,067) | (214,257) |
| **Loss per share (expressed in RMB)** | | | | | | |
| **Basic and diluted losses per share** | **12** | **N/A** | **N/A** | **N/A** | **N/A** | **N/A** |

**Consolidated Statements of Financial Position**

| | Notes | As at December 31, 2020 | As at December 31, 2021 | As at December 31, 2022 | As at June 30, 2023 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Interests in associates | 14 | 2,839 | 89,329 | 91,414 | 90,195 |
| Property, plant and equipment | 15 | 2,439,885 | 2,913,902 | 3,014,999 | 3,013,182 |
| Right-of-use assets | 25 | 581,557 | 560,873 | 533,166 | 532,775 |
| Intangible assets | 16 | 698,531 | 902,342 | 874,758 | 861,913 |
| Deposits, prepayments and other receivables | 20 | 108,356 | 52,483 | 9,498 | 6,296 |
| Amounts due from related parties | 22 | 426,923 | 44,177 | 81,560 | 81,560 |
| Deferred tax assets | 17 | 13,736 | 14,398 | 19,603 | 21,521 |
| | | 4,271,827 | 4,577,504 | 4,624,998 | 4,607,442 |
| **Current assets** | | | | | |
| Inventories | 18 | 21,632 | 38,085 | 84,835 | 42,692 |
| Trade receivables | 19 | 57,182 | 137,433 | 109,347 | 84,509 |
| Deposits, prepayments and other receivables | 20 | 84,190 | 74,234 | 132,684 | 179,950 |
| Amounts due from related parties | 22 | 119,363 | 483,612 | 333,165 | 339,249 |
| Cash and cash equivalents | 21 | 424,832 | 136,085 | 126,496 | 257,310 |
| | | 707,199 | 869,449 | 786,527 | 903,710 |
| **Current liabilities** | | | | | |
| Trade payables | 23 | (17,703) | (101,247) | (145,858) | (128,666) |
| Accruals and other payables | 24 | (169,988) | (259,365) | (244,729) | (224,242) |
| Income tax payable | | (2,856) | (2,525) | (2,498) | (2,466) |
| Contract liabilities | 6 | (85,276) | (55,114) | (97,281) | (82,511) |
| Amounts due to related parties | 22 | (39,412) | (44,337) | (238,784) | (268,516) |
| Lease liabilities | 25 | (9,236) | (11,972) | (14,633) | (23,475) |
| Bank and other borrowings | 27 | (105,519) | (182,780) | (172,018) | (342,216) |
| Convertible bond | 26 | – | (20,129) | (20,316) | (20,026) |
| Redeemable capital contribution | 30 | (2,882,260) | (3,625,843) | – | – |
| | | (3,312,250) | (4,303,312) | (936,117) | (1,092,118) |
| **Net current liabilities** | | **(2,605,051)** | **(3,433,863)** | **(149,590)** | **(188,408)** |
| **Total assets less current liabilities** | | **1,666,776** | **1,143,641** | **4,475,408** | **4,419,034** |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 25 | (195,702) | (186,562) | (187,674) | (191,638) |
| Bank and other borrowings | 27 | (1,858,784) | (2,036,837) | (2,219,514) | (2,075,709) |
| Deferred tax liabilities | 17 | (130,142) | (77,192) | (72,641) | (70,365) |
| | | (2,184,628) | (2,300,591) | (2,479,829) | (2,337,712) |
| **Net (liabilities)/assets** | | **(517,852)** | **(1,156,950)** | **1,995,579** | **2,081,322** |
| **EQUITY** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 31 | 160,000 | 160,000 | 648,723 | 676,918 |
| Reserves | | (838,142) | (1,717,331) | 1,036,547 | 1,110,583 |
| Equity attributable to owners of the Company | | (678,142) | (1,557,331) | 1,685,270 | 1,787,501 |
| Non-controlling interests | | 160,290 | 400,381 | 310,309 | 293,821 |
| **Total equity** | | **(517,852)** | **(1,156,950)** | **1,995,579** | **2,081,322** |

### Statements of Financial Position of the Company

| | Notes | As at December 31, 2020 | As at December 31, 2021 | As at December 31, 2022 | As at June 30, 2023 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 652 | 1,482 | 1,250 | 1,125 |
| Right-of-use assets | | 1,923 | 1,179 | 530 | 7,248 |
| Intangible assets | | 5,311 | 9,023 | 8,799 | 8,584 |
| Investments in subsidiaries | 38 | 1,967,995 | 1,926,022 | 1,926,017 | 1,925,489 |
| Deposits, prepayments and other receivables | 38 | 1,204 | 7,084 | 976 | 998 |
| Amounts due from related parties*** | 38 | – | 10,723 | 60,724 | 60,724 |
| Deferred tax assets | | – | – | 28 | 18 |
| | | 1,977,085 | 1,955,513 | 1,998,324 | 2,004,186 |
| **Current assets** | | | | | |
| Trade receivables | | 11,094 | 6,998 | 5,165 | 5,424 |
| Deposits, prepayments and other receivables* | 38 | 604,895 | 896,994 | 841,320 | 1,060,781 |
| Amounts due from related parties*** | 38 | 34,681 | 241,277 | 329,824 | 335,783 |
| Cash and cash equivalents | | 135,233 | 52,743 | 96,524 | 237,399 |
| | | 785,903 | 1,198,012 | 1,272,833 | 1,639,387 |
| **Current liabilities** | | | | | |
| Trade payables | | (427) | (321) | (206) | (206) |
| Contract liabilities | | (159) | – | – | – |
| Accruals and other payables** | | (123,767) | (152,506) | (86,406) | (94,559) |
| Amounts due to related parties**** | 38 | (338) | (20) | (222,428) | (252,474) |
| Bank and other borrowings***** | 38 | – | (13,322) | (13,333) | (63,258) |
| Lease liabilities | | (708) | (768) | (755) | (2,339) |
| Redeemable capital contribution | 30 | (2,882,260) | (3,625,843) | – | – |
| Income tax payable | | (572) | (2,157) | (572) | (572) |
| | | (3,008,231) | (3,794,937) | (323,700) | (413,408) |
| **Net current (liabilities)/assets** | | (2,222,328) | (2,596,925) | 949,133 | 1,225,979 |
| **Total assets less current liabilities** | | (245,243) | (641,412) | 2,947,457 | 3,230,165 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | | (173) | (168) | – | – |
| Bank and other borrowings***** | 38 | – | (6,678) | (3,333) | (1,667) |
| Lease liabilities | | (1,173) | (408) | – | (5,069) |
| | | (1,346) | (7,254) | (3,333) | (6,736) |
| **Net (liabilities)/assets** | | (246,589) | (648,666) | 2,944,124 | 3,223,429 |
| **EQUITY** | | | | | |
| Share capital | 31 | 160,000 | 160,000 | 648,723 | 676,918 |
| Reserves | Note | (406,589) | (808,666) | 2,295,401 | 2,546,511 |
| **Total equity** | | (246,589) | (648,666) | 2,944,124 | 3,223,429 |

* Included in deposits, prepayments and other receivables as at December 31, 2020, 2021, 2022 and June 30, 2023 are trading balance with its subsidiaries of RMB nil, RMB 4,711,000, RMB3,935,000 and RMB 3,935,000 and non-trading balances with its subsidiaries of RMB594,788,000, RMB827,895,000, RMB797,184,000 and RMB1,011,898,000, respectively.

** Included in accruals and other payables as at December 31, 2020, 2021, 2022 and June 30, 2023 are non-trading balances with its subsidiaries of RMB115,824,000, RMB120,186,000, RMB55,436,000 and RMB69,418,000, respectively.

*** Included in amount due from related parties as at December 31, 2020, 2021, 2022 and June 30, 2023 are trading balances of nil, RMB202,926,000, RMB60,724,000 and RMB60,724,000 and non-trading balances of RMB34,681,000, RMB49,074,000 and RMB329,824,000 and RMB335,782,000, respectively.

**** Included in amount due to related parties as at December 31, 2020, 2021, 2022 and June 30, 2023 are non-trading balances of RMB338,000, RMB20,000, RMB222,428,000 and RMB252,474,000, respectively.

***** Included in bank and other borrowings as at December 31, 2020, 2021, 2022 and June 30, 2023 are secured bank borrowings of nil, RMB10,000,000, RMB10,000,000 and RMB59,925,000 and secured other borrowings of nil, RMB10,000,000, RMB6,666,000 and RMB5,000,000, respectively.

Note: Movement in reserves

| | Capital reserves | Accumulated losses | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **At January 1, 2020** | 251,708 | (350,857) | (99,149) |
| Loss and total comprehensive income for the year | – | (307,440) | (307,440) |
| **At December 31, 2020 and January 1, 2021** | 251,708 | (658,297) | (406,589) |
| Loss and total comprehensive income for the year | – | (402,077) | (402,077) |
| **At December 31, 2021 and January 1, 2022** | 251,708 | (1,060,374) | (808,666) |
| Loss and total comprehensive income for the year | – | (196,961) | (196,961) |
| Capitalization of capital reserves | (324,361) | – | (324,361) |
| Extinguishment of redeemable capital contribution | 3,625,389 | – | 3,625,389 |
| **At December 31, 2022 and January 1, 2023** | 3,552,736 | (1,257,335) | 2,295,401 |
| Loss and total comprehensive income for the period | – | (20,695) | (20,695) |
| Issue of shares | 271,805 | – | 271,805 |
| **At June 30, 2023** | 3,824,541 | (1,278,030) | 2,546,511 |

## Consolidated Statements of Changes in Equity

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserves* | PRC statutory reserves* | Merger reserves* | Accumulated losses* | Total | Non-controlling interests | Total |
| | RMB'000 | RMB'000 (Note a) | RMB'000 (Note b) | RMB'000 (Note c) | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At January 1, 2020** | 160,000 | 623,803 | 39,867 | 102,082 | (1,020,633) | (94,881) | 162,890 | 68,009 |
| Loss and total comprehensive income for the year | – | – | – | – | (583,261) | (583,261) | (8,080) | (591,341) |
| Acquisition of subsidiaries (Note 28) | – | – | – | – | – | – | 2,480 | 2,480 |
| Capital injection from non-controlling interests | – | – | – | – | – | – | 3,000 | 3,000 |
| **At December 31, 2020 and January 1, 2021** | 160,000 | 623,803 | 39,867 | 102,082 | (1,603,894) | (678,142) | 160,290 | (517,852) |
| Loss and total comprehensive income for the year | – | – | – | – | (816,593) | (816,593) | (14,540) | (831,133) |
| Capital injection from non-controlling interests | – | – | – | – | – | – | 1,795 | 1,795 |
| Acquisition of subsidiaries through business combination under common control | – | – | – | (67,346) | 4,750 | (62,596) | 378,595 | 315,999 |
| Disposal of subsidiaries (Note 29) | – | – | – | – | – | – | (125,759) | (125,759) |
| **At December 31, 2021 and January 1, 2022** | 160,000 | 623,803 | 39,867 | 34,736 | (2,415,737) | (1,557,331) | 400,381 | (1,156,950) |
| Loss and total comprehensive income for the year | – | – | – | – | (541,404) | (541,404) | (95,818) | (637,222) |
| Capitalization of capital reserves (Note 31 (v)) | 324,361 | (324,361) | – | – | – | – | – | – |
| Extinguishment of redeemable capital contribution (Note 30) | 164,362 | 3,625,389 | – | – | – | 3,789,751 | – | 3,789,751 |
| Capital injection from non-controlling interests | – | (5,746) | – | – | – | (5,746) | 5,746 | – |
| **At December 31, 2022 and January 1, 2023** | 648,723 | 3,919,085 | 39,867 | 34,736 | (2,957,141) | 1,685,270 | 310,309 | 1,995,579 |
| Loss and total comprehensive income for the period | – | – | – | – | (194,276) | (194,276) | (19,981) | (214,257) |
| Capital injection from non-controlling interests | – | (3,493) | – | – | – | (3,493) | 3,493 | – |
| Issue of shares (Note 31 (vii)) | 28,195 | 271,805 | – | – | – | 300,000 | – | 300,000 |
| **At June 30, 2023** | 676,918 | 4,187,397 | 39,867 | 34,736 | (3,151,417) | 1,787,501 | 293,821 | 2,081,322 |
| **At January 1, 2022** | 160,000 | 623,803 | 39,867 | 34,736 | (2,415,737) | (1,557,331) | 400,381 | (1,156,950) |
| Loss and total comprehensive income for the period (Unaudited) | – | – | – | – | (381,206) | (381,206) | (33,861) | (415,067) |
| Capitalization of capital reserves (Note 31 (iv)) | 324,361 | (324,361) | – | – | – | – | – | – |
| Extinguishment of redeemable capital contribution (Note 30) | 164,362 | 3,625,389 | – | – | – | 3,789,751 | – | 3,789,751 |
| **At June 30, 2022 (Unaudited)** | 648,723 | 3,924,831 | 39,867 | 34,736 | (2,796,943) | 1,851,214 | 366,520 | 2,217,734 |

* The total of these amounts as at the reporting dates represents "Reserves" in the consolidated statements of financial position.

Notes:

(a) Capital reserves represented the paid up capital of the subsidiaries now comprising the Group attributable to the Shareholders.

(b) Statutory reserves represented the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China ("**PRC**") (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of the subsidiaries. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.

(c) The merger reserves of the Group arose as a result of the acquisitions of subsidiaries under common control and represented the difference between the consideration paid for the acquisitions and the carrying amount of the net assets of the subsidiaries at the date when the Group and the acquired subsidiaries became under common control.

## Consolidated Statements of Cash Flows

| | | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2022 | 2023 |
| | Notes | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Cash flows from operating activities** | | | | | | |
| Loss before income tax credit | | (597,809) | (836,337) | (647,170) | (418,201) | (218,385) |
| Adjustments for: | | | | | | |
| Exchange gains and losses, net | | (1,978) | – | – | – | – |
| Depreciation of property, plant and equipment | 9 | 44,025 | 62,656 | 91,574 | 45,204 | 47,058 |
| Depreciation of right-of-use assets | 9 | 26,572 | 27,985 | 26,996 | 13,438 | 14,420 |
| Amortisation of intangible assets | 9 | 13,331 | 23,368 | 29,479 | 14,719 | 14,991 |
| (Gain)/loss on disposal of property, plant and equipment | 7 | (1,630) | 138 | 1,134 | (173) | – |
| (Reversal of)/ provision for impairment loss on trade receivable | 7 | (880) | (441) | 19,647 | 1,397 | (2,903) |
| Provision for/(reversal of) impairment loss on other receivables | 7 | 7,187 | (2,000) | 879 | 1,253 | (716) |
| Provision for/(reversal of) impairment loss on amounts due from related parties | 7 | 18,004 | 47,652 | (42,558) | (30,755) | (2,510) |
| Reversal of write-down of inventories | 7 | (539) | (30) | (12) | – | (31) |
| Write-off of property, plant and equipment | 7 | – | – | 20 | 20 | 27 |
| Write-off of intangible assets | 7 | – | – | 754 | 4 | – |
| Gain on disposal of a subsidiary | 7 | – | (30,027) | – | – | – |
| Rent concession | 7 | (1,880) | – | – | – | – |
| Gain on lease modification | 7 | – | (3,241) | – | – | – |
| Gain on lease terminations | 7 | (409) | (26) | (403) | – | (146) |
| Other interest income | 7 | – | (37) | (7,484) | (3,683) | (3,492) |
| Bank interest income | 7 | (5,988) | (5,430) | (302) | (129) | (549) |
| Finance costs | 8 | 323,473 | 435,311 | 274,475 | 222,457 | 54,859 |
| Share of associates' results | | 68 | 159 | 215 | 100 | 1,219 |
| Fair value change on convertible bond—embedded derivatives | 7 | – | 64 | (763) | 20 | (767) |
| Operating loss before working capital changes | | (178,453) | (280,236) | (253,519) | (154,329) | (96,925) |
| (Increase)/decrease in inventories | | (17,806) | 8,959 | (46,738) | (31,740) | 42,174 |
| (Increase)/decrease in trade receivables | | (9,093) | (79,567) | 8,439 | 50,747 | 27,741 |
| (Increase)/decrease in deposits, prepayment and other receivables | | (81,754) | 121,433 | (51,332) | (69,671) | (41,868) |
| Decrease/(increase) in amount due from related parties | | 29,932 | 227,286 | 179,506 | 69,421 | (82) |
| Increase/(decrease) in trade payable | | 8,295 | 49,663 | 44,611 | 5,100 | (17,192) |
| Increase/(decrease) in contract liabilities | | 83,854 | (31,120) | 42,167 | 45,044 | (14,770) |
| Increase/(decrease) in accruals and other payables | | 215,663 | 135,227 | (17,084) | (46,706) | (29,747) |
| Cash generated from/(used in) operations | | 50,638 | 151,645 | (93,950) | (132,134) | (130,669) |
| Income tax (paid)/refund | | – | (411) | 313 | (87) | (98) |
| *Net cash generated from/(used in) operating activities* | | 50,638 | 151,234 | (93,637) | (132,221) | (130,767) |
| **Cash flows from investing activities** | | | | | | |
| Purchase of property, plant and equipment | | (503,125) | (402,436) | (77,855) | (58,608) | (3,026) |
| Proceed from disposal of property, plant and equipment | | 6,826 | 577 | 665 | 182 | – |
| Purchase of intangible assets | | (16,402) | (45,633) | (2,649) | (2,316) | (1,796) |
| Purchase of right-of-use assets | | (7,445) | – | (215) | (215) | – |
| Prepayment for long term investment | | (25,490) | – | – | – | – |
| Acquisition of subsidiaries, net of cash acquired | 28 | (8,336) | – | – | – | – |
| Acquisition of associate | | – | (61,159) | – | – | – |
| Acquisition of subsidiary under common control, net of cash acquired | | – | (106,430) | – | – | – |
| Proceed from disposal of subsidiaries, net of cash disposed | 29 | – | (4,233) | – | – | – |
| New loan to a related party | | – | (142,895) | (16,800) | – | – |
| Advance to related parties | | (61,978) | (113,546) | – | – | – |
| Purchase of financial assets at FVTPL | | – | (13,200) | – | – | – |
| Proceed of disposal of financial assets at FVTPL | | – | 13,200 | – | – | – |
| Bank interest received | | 5,988 | 5,430 | 302 | 129 | 549 |
| Other interest received | | – | 37 | 400 | – | – |
| Prepayments for acquisition of property, plant and equipment | | (241,548) | (74,756) | (4,173) | (423) | – |
| *Net cash used in investing activities* | | (851,510) | (945,044) | (100,325) | (61,251) | (4,273) |

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from bank and other borrowings | 765,696 | 325,686 | 243,149 | 209,300 | 107,325 |
| Payment of lease liabilities | (8,650) | (18,288) | (6,519) | (3,183) | (5,010) |
| Repayment of bank and other borrowings | (55,606) | (105,339) | (92,341) | (29,454) | (82,423) |
| (Repayment to)/advance from related parties | (135,975) | 4,925 | 194,447 | 14,153 | 29,732 |
| Capital injection from non-controlling interests | 3,000 | 1,795 | – | – | – |
| Proceed from issuance of redeemable capital contributions | 700,000 | 400,000 | – | – | – |
| Issuance of convertible bond | – | 20,000 | – | – | – |
| Interest paid | (102,768) | (118,641) | (137,379) | (62,853) | (78,872) |
| Prepayments of **[REDACTED]** expenses | – | (5,075) | (16,984) | (4,637) | (4,898) |
| Issue of shares | – | – | – | – | 300,000 |
| *Net cash generated from financing activities* | 1,165,697 | 505,063 | 184,373 | 123,326 | 265,854 |
| **Net increase/(decrease) in cash and cash equivalents** | **364,825** | **(288,747)** | **(9,589)** | **(70,146)** | **130,814** |
| **Cash and cash equivalents at beginning of the year/period** | **60,007** | **424,832** | **136,085** | **136,085** | **126,496** |
| **Cash and cash equivalents at end of the year/period** | **424,832** | **136,085** | **126,496** | **65,939** | **257,310** |

**Major Non-Cash Transactions**

During the year ended December 31, 2021, RMB47,000,000 of the consideration of RMB155,000,000 for acquisition of 26.34% equity interests in Beijing Healthingkon was settled on behalf by the Group's related parties, Jiaxue (Shanghai) Medical Technology Service Co., Ltd. and Shanghai Medstar Financial Leasing Company Limited.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "**PRC**") on July 23, 2008 with limited liability under the Companies laws of the PRC. The address of Company's registered office is located at Room B311, 3/F, Block 7, No 48 Zhongguancun South Street, Haidian District, Beijing, People's Republic of China, 100013. The Company's principal place of business is located in the PRC.

The Company and its subsidiaries (the **"Group"**) are principally engaged in leasing of radiotherapy and diagnostic imaging equipment, trading of radiotherapy and diagnostic imaging equipment, provision of management and technical services to hospitals, sales and installing of medical equipment and software, and provision of premium cancer treatment services (the "**[REDACTED] Business**").

Particulars of the Company's subsidiaries at the date of this report are as follows:

| Name of subsidiary | Date and place of incorporation/ establishment | Percentage of equity attributable to the Company | | Issued and fully paid share capital | Principal activities |
|---|---|---|---|---|---|
| | | Directly | Indirectly | | |
| Shenzhen Aohua Medical Technology Development Co., Ltd. ("Shenzhen Aohua") (深圳傲華醫療科技發展有限公司) | Incorporated on February 21, 2008 in the PRC | 100% | N/A | RMB250,051,480 | Leasing of medical equipment and provision of management services |
| Ningbo Jiahe Hospital Management Ltd. (寧波佳和醫院管理有限公司) | Incorporated on November 5, 2020 in the PRC | 100% | N/A | RMB50,000,000 | Provision of management services |
| Yinchuan Meizhong Jiahe Internet Hospital Co., Ltd. (銀川美中嘉和互聯網醫院有限公司) | Incorporated on November 18, 2020 in the PRC | N/A | 100% | RMB10,000,000 | Medical treatment and service |
| Guangzhou Meizhong Jiahe Technology Service Co., Ltd. (廣州美中嘉和技術服務有限公司) (formerly named as Guangzhou Meizhong Jiahe Medical Technology Service Co., Ltd. (廣州美中嘉和醫療技術服務有限公司)) | Incorporated on May 11, 2021 in the PRC | 100% | N/A | RMB350,000,000 | Inactive |
| Guangzhou Concord Medical Sci-Tech Innovation Center Co., Ltd. (廣州泰和醫學科技創新中心有限公司) | Incorporated on April 22, 2021 in the PRC | 100% | N/A | RMB50,000,000 | Inactive |
| Shenzhen Concord Medical Investment Limited (深圳泰和誠醫療投資有限公司) | Incorporated on January 10, 2014 in the PRC | 100% | N/A | RMB30,000,000 | Medical treatment and service |
| Datong Meizhong Jiahe Cancer Center Co., Ltd. (大同美中嘉和腫瘤醫院有限責任公司) | Incorporated on October 23, 2014 in the PRC | N/A | 100% | RMB30,000,000 | Medical treatment and service |
| Guangzhou Concord Cancer Center Co., Ltd. ("Guangzhou Concord Cancer Hospital") (廣州泰和腫瘤醫院有限公司) | Incorporated on June 29, 2011 in the PRC | 80.0% | N/A | RMB300,000,000 | Medical treatment and service |
| Guangzhou Concord Hospital Management Co., Ltd. ("Guangzhou Concord") (廣州泰和醫院管理有限公司) (formerly named as Guangzhou New Spring Hospital Management Ltd. (廣州新春天醫院管理有限公司)) (note d) | Incorporated on July 12, 2016 in the PRC | 70.0% | N/A | RMB35,000,000 | Investment holding |
| Guangzhou Concord Medical Center Co., Ltd. ("Guangzhou Outpatient Center") (廣州泰和醫療門診部有限公司) (formerly named as Guangzhou New Spring Medical Cancer Ltd (廣州新春天醫療門診部有限公司)) | Incorporated on July 18, 2016 in the PRC | N/A | 70.0% | RMB35,000,000 | Medical treatment and service |
| Beijing Yundu Internet Technology Co., Ltd. (北京雲度互聯科技有限公司) | Incorporated on July 27, 2007 in the PRC | 5.0% | 95.0% | RMB10,000,000 | Provision of management services |
| Shanghai Concord Medical Cancer Center Co., Ltd. ("Shanghai Outpatient Center") (上海美中嘉和腫瘤門診部有限責任公司) | Incorporated on November 2, 2006 in the PRC | 54.8% | 31.6% | RMB88,505,000 | Medical treatment and service |

| Name of subsidiary | Date and place of incorporation/ establishment | Percentage of equity attributable to the Company | | Issued and fully paid share capital | Principal activities |
|---|---|---|---|---|---|
| | | Directly | Indirectly | | |
| Shanghai Concord Medical Cancer Hospital Limited ("SHCC") （上海泰和誠腫瘤醫院有限公司） | Incorporated on March 17, 2014 in the PRC | 84.5% | 15.0% | RMB1,000,000,000 | Medical treatment and service |
| Shanghai Meizhong Jaihe General Practice Center Co., Ltd （上海美中嘉和雲影全科診所有限公司） | Incorporated on November 2, 2020 in the PRC | N/A | 100% | RMB1,000,000 | Medical treatment and service |
| Shanghai Taizhi Medical Technology Service Co., Ltd. （上海泰質醫療技術服務有限公司） | Incorporated on November 15, 2021 in the PRC | 100% | N/A | RMB100,000,000 | Medical equipment trading and technical service |
| Shanghai Concord Medical Diagnostic Imaging Limited ("SHMDI") (上海美中嘉和醫學影像診斷有限公司) (note e) | Incorporated on January 15, 2018 in the PRC | 10.0% | 23.3% | RMB69,590,000 | Provision of medical treatment and service business |
| Beijing Healthingkon Technology Co., Ltd. ("Beijing Healthingkon")(北京和信康科技有限公司) (note e) | Incorporated on August 25, 2018 in the PRC | 26.3% | N/A | RMB45,899,000 | Provision of medical treatment and service business |
| Beijing Healthingkon Data Technology Co., Ltd.("Healthingkon Data")北京和信康數據科技有限公司 (note e) | Incorporated on May 25, 2018 in the PRC | N/A | 26.3% | RMB1,000,000 | Technology promotion and application service |
| Chengdu Wenjiang Healthingkon Internet Hospital Co., Ltd.("Wenjiang Chengdu")(成都溫江和信康互聯網醫院有限公司) (note e) | Incorporated on September 1, 2021 in the PRC | N/A | 26.3% | RMB10,000,000 | Provision of medical treatment and service business |
| Guangzhou Concord Pharmacy Co., Ltd. (廣州泰和藥房有限公司) | Incorporated on December 12, 2022 in the PRC | 100% | N/A | RMB10,000,000 | Medical equipment trading and technical service |

Notes

a) The English names of all subsidiaries established in the PRC are translated for identification purpose only.

b) All companies comprising the Group have adopted December 31, as their financial year end date.

c) All entities are established in the PRC in the form of domestic limited liability company.

d) The entity was acquired in April 2020. Details are disclosed in Note 28.

e) Beijing Healthingkon was acquired in January 2021 through business combination under common control. Although the Group's ownership interest in Beijing Healthingkon is only 26.3%, the Group obtained control in Beijing Healthingkon through an agreement signed with other two shareholders of Beijing Healthingkon. According to the agreement, the Group has discretions in all significant financial and operating decisions that are approved at the shareholders meetings. The directors of the Company therefore treated Beijing Healthingkon as a subsidiary. Healthingkon Data, Wenjiang Chengdu and Beijing Hexincheng Business Development Co., Ltd. were wholly owned subsidiaries of Beijing Healthingkon, hence these companies were treated as subsidiaries of the Group as well.

   As a result of the abovementioned acquisition, although the Group's ownership interest in SHMDI is only 33.3%, the Group obtained control in SHMDI as Beijing Healthingkon held 89% equity interests in SHMDI. Therefore, the directors of the Company also treated SHMDI as a subsidiary and included it in the consolidated financial statements since November 18, 2019. Details refer to Note 3.1.

f) Beijing Hexincheng Business Development Co., Ltd. (北京和信程商業發展有限公司) and Chengdu Lulutong Technology Co., Ltd (成都鹿鹿通科技有限公司) are subsidiaries during Track Record Period, and were deregistered in February 2022 and April 2022 respectively.

g) There are no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation for all subsidiaries. No audited financial statements have been prepared for these entities during the Track Record Period.

h) Datong Meizhong Jiahe Traditional Chinese Medicine Center Co. Ltd. is a subsidiary during the Track Record Period and was deregistered in March 2023.

For the purpose of the Historical Financial Information of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the "**Underlying Financial Statements**") in accordance with the basis of presentation and accounting policies set out in Note 3 below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The Historical Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

## 2. NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") ISSUED

***New standards, interpretations and amendments not yet effective***

At the date of the report, HKICPA has issued certain new or revised HKFRSs that have been issued but are not yet effective and have not been adopted early by the Group. The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new or amended HKFRSs is provided below.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2] |
| Amendments to HKFRS 16 Leases | Lease Liability in a Sale and Leaseback[1] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[1] |
| Amendments to HKAS 1 | Disclosure of Accounting Policies[1] |
| Amendments to HKAS 7 and HKFRS 7 | *Supplier Finance Arrangements*[1] |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1] |

1 Effective for annual periods beginning on or after January 1, 2024.

2 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Group do not anticipate that the application of the new and revised HKFRSs will have material impact on the Group's financial statements and/or the disclosures to the Group's Historical Financial Information.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with accounting policies which conform the HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. The Historical Financial Information also complies with the applicable disclosure requirement of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and became effective during the Track Record Period. For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has adopted all new and amended HKFRSs that are effective during the Track Record Period and has applied them consistently throughout the Track Record Period.

At the date of this report, the HKICPA has issued certain new or revised HKFRSs that are not yet effective for the accounting period beginning on January 1, 2023 and have not been adopted early by the Group. Details of which are set out in Note 2.

Merger accounting for business combination under common control

On August 12, 2021, the Group entered into an agreement with two subsidiaries of Concord Medical, namely Tianjin Jiatai Enterprise Management Center (Limited Partnership) ("Tianjin Jiatai") and Global Medical Imaging (Hong Kong) for the acquisition of 26.34% equity interests in Beijing Healthingkon, a company whose principal activity is providing medical treatment and service ("Acquisition"). The Group obtained control in Beijing Healthingkon through an agreement signed with other two shareholders of Beijing Healthingkon. According to the agreement, the Group has discretions in all significant financial and operating decisions that are approved at the shareholders meetings. The total consideration for the acquisition was RMB 155,000,000. Beijing Healthingkon held 89% equity interests in SHMDI, a company whose principal activity is providing medical treatment and service.

The consolidated financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the Acquisition had been completed at the beginning of the earliest period presented or combining entities first came under the control of the controlling party because the Acquisition was regarded as a business combination under common control of Concord Medical Services Holdings Limited before and after the Completion Date.

Following the Acquisition on August 12, 2021, since the SHMDI acquired under these business combinations and the Company were both controlled by Concord Medical Services Holdings Limited, the ultimate controlling shareholder of the Company, before and after the Acquisition, the Acquisition is regarded as "Common Control Combination". Accordingly, the Group has applied merger accounting to account for the Acquisition in respect of medical treatment and service business in accordance with AG 5. The consolidated financial statements have been prepared in accordance with AG 5 as if the Acquisition had been completed at the beginning of the earliest period presented or combining entities first came under the control of the controlling party.

Accordingly, the acquired subsidiary was included in the consolidated financial statements since the date when the combining businesses first came under common control. As a result, the Group has included the operating results of the subsidiary since November 18, 2019, as if the Acquisition had been completed on the date when the acquired subsidiary first came under the control of Concord Medical Services Holdings Limited, i.e. November 18, 2019. The consolidated statements of financial positions of the Group as at December 31, 2020 also include the assets and liabilities of the subsidiary, SHMDI as if the Acquisition had been completed when the combining business first came under common control.

Merger adjustments are made to the net assets or liabilities and net loss of the Group and SHMDI for the years ended December 31, 2019 and 2020 in accordance with AG 5. The nature of these adjustments includes the elimination of share capital of SHMDI against the Group's interest in SHMDI (SHMDI was an associate of the Group before the common control combination), the elimination of inter-company balances and transactions between the Group and SHMDI, the recognition of goodwill of RMB41,998,000 (Note 16) that arose on the previous acquisition of SHMDI from third parties by Concord Medical, and the non-controlling interests in SHMDI that was originally recorded in the consolidated financial statements of Concord Medical.

Following the Acquisition on August 12, 2021, since the Beijing Healthingkon acquired under these business combinations and the Company were both controlled by Concord Medical Services Holdings Limited, the ultimate controlling shareholder of the Company, before and after the acquisition, the Acquisition is regarded as "Common Control Combination". Accordingly, the Group has applied merger accounting to account for the Acquisition in respect of medical treatment and service business in accordance with AG 5. The consolidated financial statements have been prepared in accordance with AG 5 as if the Acquisition had been completed at the beginning of the earliest period presented or combining entities first came under the control of the controlling party.

Accordingly, the acquired subsidiary was included in the consolidated financial statements since the date when the combining businesses first came under common control. As a result, the Group has included the operating results of the subsidiary since January 1, 2021, as if the Acquisition had been completed on the date when the acquired subsidiary first came under the control of Concord Medical Services Holdings Limited, i.e. January 1, 2021. The consolidated statements of financial position of the Group as at January 1, 2021 also include the assets and liabilities of the subsidiary, Beijing Healthingkon as if the Acquisition had been completed when the combining business first came under common control.

The carrying amount of assets and liabilities of Beijing Healthingkon acquired as at January 1, 2021 are as follows:

| | **RMB'000** |
|---|---|
| Property, plant and equipment | 1,432 |
| Right-of-use assets | 4,338 |
| Inventories | 10,228 |
| Trade receivables | 243 |
| Deposit, prepayment and other receivables | 4,527 |
| Intangible assets | 133,186 |
| Cash and cash equivalents | 1,570 |
| Trade payables | (66) |
| Contract liabilities | (958) |
| Accruals and other payables | (26,669) |
| Lease liabilities | (5,224) |
| Deferred tax liabilities | (19,829) |
| Net assets | 102,778 |
| Non-controlling interest | (378,595) |
| Net liabilities acquired | (275,817) |

3.2 Basis of measurement and going concern assumption

The Historical Financial Information has been prepared on the historical cost basis except for the derivative component of the convertible bond which are stated at fair value (see Note 3.22), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and other factors, actual results may ultimately be different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As at December 31, 2020 and 2021, 2022 and June 30, 2023, the Group had net current liabilities of RMB2,605,051,000, RMB3,433,863,000, RMB149,590,000 and RMB188,408,000, including redeemable capital contributions amounting to RMB2,882,260,000, RMB3,625,843,000, RMBNil and RMBNil and net cash outflow from operating activities of RMBNil, RMBNil, RMB93,637,000 and RMB130,767,000 respectively.

In view of these circumstances, the management of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented, or is in the process of implementing, the following key plans and measures: (i) The Group has been actively negotiating with a number of banks and financial institutions for renewal, extension and replacement of bank loans; (ii) The Group conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary; (iii) The Group continues to take active measures to control administrative costs including streamlining the workflows of different business operations; and relocating of offices to premises with lower rent; (iv) The Group continues to take active actions to improve the working capital situation including monitoring the collection of receivables closely and take immediate actions for any outstanding receivables and negotiation with suppliers to extend credit terms; (v) The Group is preparing for the launch of proton therapy centre and the Group expect to generate profit in 2024; and (vi) The Group will consider other financing arrangements with a view to improving the Group's liquidity and financial position.

The management of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the end of the reporting period. The management are of the opinion that after taking into account the above plans, the Group has sufficient financial resources to continue as a going concern for the next twelve months. Therefore, the management of the Group are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

3.3 Functional and presentation currency

The Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

3.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries comprising the Group for the Relevant Periods. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(a) Business combination (other than business combination under common control)

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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 recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

(b) Changes in ownership interests without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transaction – that is, as transactions with equity owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized 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 recognized in other comprehensive income are reclassified to profit or loss or retained earnings.

(d) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. There is no recognition of any additional goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position are presented as if the entities or businesses had been combined at the previous date of statement of financial position or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which it is incurred.

3.5 Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3.6 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognized at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognized unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealized losses provide evidence of impairment of the asset transferred they are recognized immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognized in other comprehensive income in relation to that associate are recognized on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

3.7 Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognized in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit on pro-rata basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

3.8 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|---|---|
| Buildings | Shorter of the term of remaining title to the land and useful life |
| Medical equipment | 5 – 20 years |
| Electronic and office equipment | 3 – 5 years |
| Motor vehicles | 5 years |
| Leasehold improvement | Shorter of the unexpired lease terms and useful lives of 3 to 10 years |

Construction in progress represents buildings including but not limited to hospitals or medical equipment under construction and are stated at cost less impairment losses, if any. Cost comprises direct costs of construction incurred as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

3.9 Borrowings

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

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.

3.10 Capitalization of borrowings costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalized. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.11 Leases

*The Group as lessee*

The Group leases various equipment and properties and land use rights either as its office or to provide service. Rental contracts are typically made for a fixed period of 1 to 50 years. 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.

Leases are recognized 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. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The Group presents the carrying amounts of right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

*The Group as lessor*

The Group has leased out certain of its medical equipment to medical institutions. Lease classification is made at the inception date and is reassessed only if there is a lease modification. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. If there are variable lease payments and as a result of which the lessor does not transfer substantially all such risks and rewards, it would be an operating lease.

Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on the straight-line basis over the lease term. The respective leased assets are included in the consolidated statements of financial position based on their nature.

3.12 Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts. The amortization expense is recognized in profit or loss and included in cost of revenue and administrative expenses.

| | |
|---|---|
| Operating license | 20 years |
| Customer relationship | 5 – 16 years |
| Software | 3 – 5 years |
| Customer contracts | 2 – 3 years |
| Patents and technology | 10 years |

The Group determines the estimated useful lives and consequently the related amortization charges for its operating license, customer relationship, and patents and technology. Management determines the estimated useful life and related amortization charges of the operating license based on the historical renewal experience of operating licenses of similar nature, and considering the current market environment in the PRC and estimations of future changes. Management determines the estimated useful life and related amortization charges of the customer relationship based on the contract terms of the existing operation lease contracts with existing customers. Management determines the estimated useful life and related amortization charges of the patents and technology by considering the duration of patent right and protection period of copyright, the current market environment in the PRC and estimations of future changes and with reference to the estimated periods that the Group intends to derive future economic benefits from the use of patents and technology. Management will increase the amortization charges where useful lives are less than previously estimated lives, it will write off or write down technically obsolete or nonstrategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expenses in future years.

Development in progress represents software under development and is stated at cost less impairment losses, if any. Cost comprises direct costs of development as well as borrowing costs capitalized during the periods of development. Capitalization of these costs ceases and the development in progress is transferred to the appropriate class of intangible assets when substantially all the activities necessary to prepare the assets for their intended use are completed. No amortization is provided for in respect of development in progress until it is completed and ready for its intended use.

3.13 Impairment of assets (other than financial assets)

At the end of each reporting period, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that they may be impairment. The Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognized no longer exists or may have decreased:

- Right-of-use assets;
- Property, plant and equipment;
- Intangible assets;
- Investments in subsidiaries in the Company's statements of financial position; and
- Interests in associates

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statements of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

3.15 Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents 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.

3.16 Financial Instruments

*(a) Financial assets*

A financial asset (unless it is a trade receivables without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivables without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely 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:

Amortized 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 amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Fair value through other 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 fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognized in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

*(b) Impairment loss on financial assets*

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial assets assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is significantly past due. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

*(c) Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortized costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statements of profit or loss. The net fair value gain or loss recognized in the consolidated statements of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade and other payables, borrowings, certain redeemable capital contribution and the debt element of convertible bond issued by the Group are subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

*(d) Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

*(e) Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*(f) Derivative financial instruments*

Derivative financial instruments are recognized at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

*(g) Derecognition*

The Group derecognizes a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, canceled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognized initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognized in profit or loss for the year.

*(h) Offsetting*

Financial assets and liabilities are offset and the net amount are reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.17 Foreign currency translation

Transactions entered into by the consolidated entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into RMB at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognized in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

3.18 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group operates two types of business, namely: (i) Hospital Business; and (ii) Medical Equipment, Software and Related Services. Revenue is measured at the consideration received or receivable for the goods or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales between the Group companies. The Group recognizes revenue when it transfers control of the goods or services to a customer.

Hospital Business

Hospital revenue represents medical service income generated from medical institutions under outpatient and inpatient services.

Medical service income include revenue generated from outpatients, such as activities for physical examinations, treatments, surgeries and tests, which are recognized when services are provided.

Revenue that generated from inpatients, such as activities for clinical examinations and treatments, surgeries, and other fees such as room charges and nursing care, are recognized over time during hospitalization when customers simultaneously receives the services and consumes the benefits provided by the Group's performance as the Group performs.

Medical Equipment, Software and Related Services

(a) Management and technical support

The Group provides management and technical support service to hospitals and radiotherapy centers over the service period – the usual period of service lasts for 8 years to 20 years. The hospital receives and consumes the benefits provided by the Group's performance as the Group performs. The Group uses a time-based measure of progress. Revenue from provision of management and technical support is recognized over the period in which the services are rendered.

For revenue from management and technical support, service fee is calculated based on pre-set formulas set out in the arrangements, which primarily relating to the hospitals and radiotherapy centers' revenue.

(b) Operating lease income

The Group leases radiotherapy equipment to certain hospitals and radiotherapy centers under lease agreements. Such leases are generally negotiated with lease term of 8 to 20 years. The consideration is either fixed or calculated based on pre-set formulas set out in the arrangements, which primarily relating to the hospitals and radiotherapy centers' revenue.

The Group has also signed cooperation agreement with certain hospitals and radiotherapy centers for (i) lease of radiotherapy equipment and (ii) provision of management and technical support. The consideration is calculated based on pre-set formulas set out in the arrangements which primarily relating to the hospitals and radiotherapy centers' revenue.

The Group has allocated the lease component and non-lease component on a relative stand-alone selling price basis. The Group's accounting policy for recognition of revenue from operating lease is described in the accounting policy for leases above.

(c) Sales and installing of medical equipment and software

Revenue from the sales and installing of medical equipment and software is recognized when control of the radiotherapy equipment, software or medical consumables has been transferred, being when the radiotherapy equipment or software is installed and accepted by the customers, or when medical consumables are accepted by the customers. The Group has contracts with customers for sales of radiotherapy equipment, software and medical consumables and arrangement for sales. Under the contracts for arrangement for sales of equipment, the Group acquires, on customers' behalf, specific equipment from designated suppliers. The Group provides procurement services (i.e. coordinating with suppliers and managing the equipment ordering and delivery).

Determining whether such revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. The Group needs to first identify who controls the equipment before they are transferred to customers.

The Group is a principal if it obtains control of the equipment from third parties that it then transfers to the customer. There are indicators that the Group is a principal, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers.

The Group is an agent if it does not obtain control of the equipment before it is being transferred to the customer. There are indicators that the Group is an agent, when the equipment is directly transferred from the suppliers' warehouse to the customer's destination, and the Group borne no inventory risk.

Contract assets

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract costs

The Group recognizes an asset from the costs incurred to fulfill a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

3.19 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realized or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognized in profit or loss except when they relate to items recognized in other comprehensive income in which case the taxes are also recognized in other comprehensive income or when they relate to items recognized directly in equity in which case the taxes are also recognized directly in equity.

3.20 Employee benefits

(a) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiaries of the Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company.

The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognized in the year when the employees render the related service.

3.21 Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.22 Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 3.16(f)). Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the host liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 3.16(f). The host liability component is subsequently carried at amortized cost. Interest expense recognized in profit or loss on the host liability component is calculated using the effective interest method.

If the bonds are converted, the carrying amount of the host liability, which is measured at amortized cost together with the carrying amount of the derivative liability, which is remeasured to fair value immediately before conversion, is transferred to equity, with no gain or loss is recognized in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognized in profit or loss.

3.23 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

3.24 Government grant

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are deducted in reporting the related expense or recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in calculating the carrying amount of the asset that is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. An unconditional government grant is recognized in profit or loss as other revenue when the grant becomes receivable.

3.25 Redeemable capital contributions

Redeemable capital contributions are classified as financial liabilities as they are redeemable on triggering events that are beyond the control of both the issuer and the holder. The liability is recognized and measured in accordance with the Group's policy for borrowings set out in Note 3.9 and interest expense is calculated by using the effective interest method and recognized as borrowing costs as set out in Note 3.10.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Our key sources of estimation uncertainty are as follows:

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.7. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumption applied, it may be necessary to take additional impairment charge to the consolidated statements of profit or loss and other comprehensive income.

(ii) Fair value measurement

The fair value measurement of the Group's convertible bond-embedded derivatives utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the "fair value hierarchy"):

— Level 1: Quoted prices in active markets for identical items (unadjusted);

— Level 2: Observable direct or indirect inputs other than Level 1 inputs;

— Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

(iii) Depreciation and amortization and useful lives of property, plant and equipment and intangible assets

The Group depreciates the property, plant and equipment and amortizes the intangible asset in accordance with the accounting policies stated in notes 3.8 and 3.12 respectively. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets. The management reassesses the estimated useful lives at the end of each of the reporting period.

(iv) Impairment of financial assets

The impairment allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgment in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available historical data, existing market conditions including forward looking estimates at end of each of the reporting period.

(v) Estimates of current tax and deferred tax

Significant judgment is required in determining the amount of the provision for tax and the timing of payment of the related tax. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets may be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(vi) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on such available data as binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset of cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(vii) Determining whether the Group is acting as a principal or as an agent in provision of sales and installing of medical equipment and software

During the Track Record Period, the Group is engaged in the business of selling radiotherapy equipment, software and medical consumables. The Group has contracts with customers for sales of radiotherapy equipment, software and medical consumables and arrangement for sales, and recognizes revenue in accordance with the accounting policy stated in note 3.18(c).

Management of the Group considers that the Group is a principal if it obtains control of the goods from third parties that it then transfers to the customer. There are indicators that the Group is a principal, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers.

Management of the Group considers that the Group is an agent if it does not obtain control of the goods before it is being transferred to the customer. There are indicators that the Group is an agent, when the goods is directly transferred from the suppliers' warehouse to the customer's destination, and the Group borne no inventory risk. Therefore, net amounts of the sales and cost of sales of these indent trading transactions were recorded as service income.

In determining whether the Group is acting as a principal or as an agent, management is required to exercise significant judgment and to consider all relevant facts and circumstances of this trading business.

(viii) Going concern assumption

As explained in note 3.2, the Historical Financial Information has been prepared on a going concern basis even though as of June 30, 2023 the Company has net current liabilities of RMB188,408,000.

In view of such circumstances, the Directors of the Company have given careful consideration to the future liquidity and performance of the Company and its available sources of financing in assessing whether the Company will be able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due. Certain measures as stated in Note 3.2 have been and are being taken to manage the Company's liquidity needs and to improve its financial position.

Should the Company be unable to continue as a going concern, adjustment would have to be made to restate the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the Historical Financial Information.

(ix) Fair value of derivative financial instruments

The directors of the Company use their judgment in selecting an appropriate valuation technique for derivative financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, the estimation of fair value of derivatives includes inputs not supported by observable market prices or rates. The carrying amount of the derivative component in relation to convertible bond as at December 31, 2020, 2021 and 2022 and June 30, 2023 was approximately RMBNil, RMB4,373,000, RMB3,610,000 and RMB2,843,000 respectively. Details of the assumptions used are disclosed in note 26. The directors of the Company believe that the chosen valuation techniques and inputs are appropriate in determining the fair value of derivative financial instruments.

## 5. SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

As a result of this evaluation, the Group determined that it has operating segments as follows:

– Hospital Business

– Medical Equipment, Software and Related Services

The CODM assesses the performance of the operating segments mainly based on segment revenues, segment cost of sales, gross profit, and operating profit/(loss). Interest expenses of redeemable shares and income tax expense are not allocated to individual operating segments. The CODM assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Assets and liabilities are regularly reviewed on a consolidated basis.

The following is an analysis of the Group's revenue and results by reportable segment during the Track Record Period:

| | For the year ended December 31, 2020 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 83,514 | 82,807 | 166,321 |
| Segment results | (256,099) | (31,306) | (287,405) |
| Other income and net gains/(losses) | | | (7,668) |
| Finance costs | | | (302,668) |
| Share of associates' results | | | (68) |
| **Loss before income tax** | | | (597,809) |

| | For the year ended December 31, 2020 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Other segment information** | | | |
| Depreciation of property, plant, and equipment | (35,810) | (8,215) | (44,025) |
| Depreciation of right-of-use assets | (3,164) | (23,408) | (26,572) |
| Amortization of intangible assets | (13,116) | (215) | (13,331) |
| (Loss)/gain on disposal of property, plant and equipment | (1) | 1,631 | 1,630 |
| Reversal of provision for impairment loss on trade receivable | 622 | 258 | 880 |
| Provision for impairment loss on other receivables | (4,601) | (2,586) | (7,187) |
| Reversal of write-down of inventories | – | 539 | 539 |

| | As at December 31, 2020 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | |
| Segment assets | 4,014,653 | 772,423 | 4,787,076 |
| Goodwill | 143,555 | 31,820 | 175,375 |
| | 4,158,208 | 804,243 | 4,962,451 |
| Deferred tax assets | | | 13,736 |
| Interests in associates | | | 2,839 |
| **Total Assets** | | | 4,979,026 |
| **Liabilities** | | | |
| Segment liabilities | (1,844,624) | (636,996) | (2,481,620) |
| Income tax payable | | | (2,856) |
| Redeemable capital contribution | | | (2,882,260) |
| Deferred tax liabilities | | | (130,142) |
| **Total Liabilities** | | | (5,496,878) |

| | For the year ended December 31, 2021 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 161,175 | 309,330 | 470,505 |
| Segment results | (335,311) | (146,137) | (481,448) |
| Other income and net gains/(losses) | | | (10,121) |
| Finance costs | | | (344,609) |
| Share of associates' results | | | (159) |
| **Loss before income tax** | | | (836,337) |

| | As at December 31, 2021 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | |
| Segment assets | 3,196,480 | 1,634,970 | 4,831,450 |
| Goodwill | 143,555 | 368,221 | 511,776 |
| | 3,340,035 | 2,003,191 | 5,343,226 |
| Deferred tax assets | | | 14,398 |
| Interests in associates | | | 89,329 |
| **Total Assets** | | | 5,446,953 |
| **Liabilities** | | | |
| **Segment liabilities** | (2,055,993) | (842,350) | (2,898,343) |
| Income tax payable | | | (2,525) |
| Redeemable capital contribution | | | (3,625,843) |
| Deferred tax liabilities | | | (77,192) |
| **Total Liabilities** | | | (6,603,903) |

| | For the year ended December 31, 2021 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Other segment information** | | | |
| Depreciation of property, plant, and equipment | (53,395) | (9,261) | (62,656) |
| Depreciation of right-of-use assets | (5,067) | (22,918) | (27,985) |
| Amortization of intangible assets | (13,648) | (9,720) | (23,368) |
| (Loss)/gain on disposal of property, plant and equipment | (161) | 23 | (138) |
| Reversal of provision for impairment loss on trade receivable | 379 | 62 | 441 |
| Reversal of impairment loss on other receivables | 1,308 | 692 | 2,000 |
| Reversal of write-down of inventories | – | 30 | 30 |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 218,392 | 253,778 | 472,170 |
| Segment results | (441,091) | (147,923) | (589,014) |
| Other income and net gains/(losses) | | | 106,917 |
| Finance costs | | | (164,858) |
| Share of associates' results | | | (215) |
| **Loss before income tax** | | | (647,170) |

| | As at December 31, 2022 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | |
| Segment assets | 2,601,430 | 2,187,302 | 4,788,732 |
| Goodwill | 143,555 | 368,221 | 511,776 |
| | 2,744,985 | 2,555,523 | 5,300,508 |
| Deferred tax assets | | | 19,603 |
| Interests in associates | | | 91,414 |
| **Total Assets** | | | 5,411,525 |
| **Liabilities** | | | |
| **Segment liabilities** | (2,311,630) | (1,029,177) | (3,340,807) |
| Income tax payable | | | (2,498) |
| Deferred tax liabilities | | | (72,641) |
| **Total Liabilities** | | | (3,415,946) |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Other segment information** | | | |
| Depreciation of property, plant, and equipment | (80,161) | (11,413) | (91,574) |
| Depreciation of right-of-use assets | (22,486) | (4,510) | (26,996) |
| Amortization of intangible assets | (24,264) | (5,215) | (29,479) |
| (Loss)/gain on disposal of property, plant and equipment | (1,147) | 13 | (1,134) |
| Provision for impairment loss on trade receivable | (16,761) | (2,886) | (19,647) |
| Provision for impairment loss on other receivables | (199) | (680) | (879) |
| Reversal of write-down of inventories | – | 12 | 12 |
| Write-off of property, plant and equipment | – | (20) | (20) |
| Write-off of intangible asset | – | (754) | (754) |

| | For the six months ended June 30, 2022 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 (Unaudited) | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| Revenue | 82,975 | 60,835 | 143,810 |
| Segment results | (108,452) | (182,373) | (290,825) |
| Other income and net gains/(losses) | | | 37,103 |
| Finance costs | | | (164,379) |
| Share of associates' results | | | (100) |
| **Loss before income tax** | | | (418,201) |

| | For the six months ended June 30, 2022 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 (Unaudited) | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| **Other segment information** | | | |
| Depreciation of property, plant, and equipment | (40,957) | (4,247) | (45,204) |
| Depreciation of right-of-use assets | (10,735) | (2,703) | (13,438) |
| Amortization of intangible assets | (11,281) | (3,438) | (14,719) |
| Gain on disposal of property, plant and equipment | – | 173 | 173 |
| Provision for impairment loss on trade receivable | 50 | (1,447) | (1,397) |
| Provision for impairment loss on other receivables | 1 | (1,254) | (1,253) |
| Write-off of property, plant and equipment | – | (20) | (20) |
| Write-off of intangible asset | – | (4) | (4) |

| | For the six months ended June 30, 2023 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 159,257 | 125,922 | 285,179 |
| Segment results | (135,286) | (89,032) | (224,318) |
| Other income and net gains/(losses) | | | 7,629 |
| Finance costs | | | (477) |
| Share of associates' results | | | (1,219) |
| **Loss before income tax** | | | (218,385) |

| | As at June 30, 2023 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | |
| Segment assets | 2,341,974 | 2,545,686 | 4,887,660 |
| Goodwill | 143,555 | 368,221 | 511,776 |
| | 2,485,529 | 2,913,907 | 5,399,436 |
| Deferred tax assets | | | 21,521 |
| Interests in associates | | | 90,195 |
| **Total Assets** | | | 5,511,152 |
| **Liabilities** | | | |
| Segment liabilities | (2,228,726) | (1,128,273) | (3,356,999) |
| Income tax payable | | | (2,466) |
| Deferred tax liabilities | | | (70,365) |
| **Total Liabilities** | | | (3,429,830) |

| | For the six months ended June 30, 2023 | | |
|---|---|---|---|
| | Hospital Business | Medical Equipment, Software and Related Services | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Other segment information** | | | |
| Depreciation of property, plant, and equipment | (41,263) | (5,795) | (47,058) |
| Depreciation of right-of-use assets | (10,967) | (3,453) | (14,420) |
| Amortization of intangible assets | (12,324) | (2,667) | (14,991) |
| Reversal of impairment loss on trade receivable | 2,015 | 888 | 2,903 |
| Reversal of impairment loss on other receivables | 345 | 371 | 716 |
| Reversal of write-down of inventories | 31 | – | 31 |
| Write-off of property, plant and equipment | (6) | (21) | (27) |

(b) Information about major customers

Revenue from each major customer, which accounted for, 10% or more of the Group's revenue for each of the reporting period is set out below:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Customer A | N/A | 57,609 | N/A | N/A | 46,803 |
| Customer B | N/A | N/A | N/A | 15,034 | N/A |

*Note:*

Customer A has accounted for less than 10% of the Group's revenue for the year ended December 31, 2020 and 2022 and the six months ended June 30, 2022.

Customer B has accounted for less than 10% of the Group's revenue for the year ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023.

(c) Geographical information

The Company is domiciled in the PRC while the Group's non-current assets and revenues are substantially located in and derived from the PRC, therefore, no geographical segments are presented.

## 6. REVENUE

The disaggregation of revenue from contracts with customers and from other sources by major services and products and timing of revenue recognition during the Track Record Period are as follows:

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Revenue from contracts with customers** | | | | | |
| **By major services and products** | | | | | |
| **Hospital** | | | | | |
| Cancer hospital and clinics | 83,514 | 161,175 | 218,392 | 82,975 | 159,257 |
| **Network** | | | | | |
| Sales and installing of medical equipment and software (note) | 26,129 | 217,568 | 179,152 | 27,120 | 104,301 |
| Management and technical support | 37,156 | 64,599 | 53,109 | 22,477 | 12,028 |
| | 146,799 | 443,342 | 450,653 | 132,572 | 275,586 |
| **Revenue from other source** | | | | | |
| **Network** | | | | | |
| Operating lease income | 19,522 | 27,163 | 21,517 | 11,238 | 9,593 |
| **Total revenue** | 166,321 | 470,505 | 472,170 | 143,810 | 285,179 |

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Time of revenue recognition** | | | | | |
| Over time | 42,639 | 74,536 | 119,066 | 46,691 | 54,453 |
| At a point in time | 104,160 | 368,806 | 331,587 | 85,881 | 221,133 |
| **Revenue from contracts with customer** | 146,799 | 443,342 | 450,653 | 132,572 | 275,586 |

Note: The revenue from sales and installing of medical equipment and software during Track Record Period are as follows:

| | For the year ended December 31, 2020 | | |
|---|---|---|---|
| | Distributorship model | Direct sales model | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Gross basis | 21,537 | – | 21,537 |
| Net basis | 603 | 3,989 | 4,592 |
| | 22,140 | 3,989 | 26,129 |

| | For the year ended December 31, 2021 | | |
|---|---|---|---|
| | Distributorship model | Direct sales model | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Gross basis | 137,160 | 61,398 | 198,558 |
| Net basis | 1,435 | 17,575 | 19,010 |
| | 138,595 | 78,973 | 217,568 |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Distributorship model | Direct sales model | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| Gross basis | 115,459 | 59,019 | 174,478 |
| Net basis | 398 | 4,276 | 4,674 |
| | 115,857 | 63,295 | 179,152 |

| | For the period ended June 30, 2023 | | |
|---|---|---|---|
| | Distributorship model | Direct sales model | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Gross basis** | 98,199 | 6,102 | 104,301 |
| **Net basis** | – | – | – |
| | 98,199 | 6,102 | 104,301 |

| | For the period ended June 30, 2022 (Unaudited) | | |
|---|---|---|---|
| | Distributorship model | Direct sales model | Total |
| | RMB'000 | RMB'000 | RMB'000 |
| **Gross basis** | 24,322 | 541 | 24,863 |
| **Net basis** | – | 2,257 | 2,257 |
| | 24,322 | 2,798 | 27,120 |

(a) Unsatisfied performance obligations

For management and technical support income, the Group recognizes revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of management and technical support contracts are for periods of more than one year with variable consideration based on profit. Hence, the transaction prices allocated to these performance obligations are not disclosed. The term of the contracts for medical service is generally set to expire when the counterparties notify the Group that the services are no longer required. For sales and installing of medical equipment and software, they are rendered in short period of time, and so the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

(b) Assets recognized from incremental costs to obtain a contract

During the Track Record Period, there was no significant incremental costs to obtain a contract.

(c) Details of contract liabilities

| | Year ended December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Contract liabilities | 85,276 | 55,114 | 97,281 | 82,511 |

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance as at January 1 | 1,422 | 85,276 | 55,114 | 97,281 |
| Acquired through acquisition of a subsidiary through business combination under common control (Note 28) | – | 56 | – | – |
| Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period | (976) | (81,247) | (24,427) | (64,413) |
| Increase in contract liabilities as a result of billing in advance of sales of goods or provision of services | 84,830 | 51,029 | 66,594 | 49,643 |
| Balance as at December 31/June 30 | 85,276 | 55,114 | 97,281 | 82,511 |

The contract liabilities mainly relate to the advance consideration received from customers while the underlying goods or services are yet to be provided.

## 7. OTHER INCOME AND OTHER NET GAINS/(LOSSES)

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Other income:** | | | | | |
| Interest income | 5,988 | 5,430 | 7,786 | 3,812 | 4,041 |
| Additional VAT deduction | 752 | 1,443 | 89 | 11 | 172 |
| Government grants (Note) | 1,006 | 1,800 | 1,826 | 979 | 1,287 |
| Compensation income | – | – | 50,000 | – | – |
| **Other net gains/(losses):** | | | | | |
| Gain/(loss) on disposal of property, plant and equipment (Note 15) | 1,630 | (138) | (1,134) | 173 | – |
| Reversal of/(provision for) impairment loss on trade receivables (Note 19) | 880 | 441 | (19,647) | (1,397) | 2,903 |
| (Provision for)/reversal of impairment loss on other receivables (Note 20) | (7,187) | 2,000 | (879) | (1,253) | 716 |
| (Provision for)/reversal of impairment loss on amounts due from related parties | (18,004) | (47,652) | 42,558 | 30,755 | 2,510 |
| Reversal/(write-down) of write-down of inventories (Note 18) | 539 | 30 | 12 | – | 31 |
| Write-off of property, plant and equipment (Note 15) | – | – | (20) | (20) | (27) |
| Write-off of intangible assets (Note 16) | – | – | (754) | (4) | – |
| Gain on disposal of a subsidiary (Note 29) | – | 30,027 | – | – | – |
| Rent concession (Note 25) | 1,880 | – | – | – | – |
| Gain on lease modification (Note 25) | – | 3,241 | – | – | – |
| Gain on lease terminations (Note 25) | 409 | 26 | 403 | – | 146 |
| Interest income arising from financial assets at FVTPL | – | 37 | – | – | – |
| Fair value change on convertible bond-embedded derivatives (Note 26) | – | (64) | 763 | (20) | 767 |
| Exchange gain/(loss) | 1,650 | 555 | (638) | (370) | (207) |
| Others | (1,349) | (4,964) | 5,084 | 1,960 | (1,035) |
| | (11,806) | (7,788) | 85,449 | 34,626 | 11,304 |

Notes: Government grants represented the financial support received from local government as an incentive for business development and there has no unfulfilled conditions attached to the government grants.

## 8. FINANCE COSTS

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Interest charge on bank and other borrowings | 102,643 | 144,837 | 155,355 | 80,044 | 77,180 |
| Interest charge on lease liabilities (Note 25) | 15,459 | 15,859 | 14,752 | 7,484 | 7,116 |
| Interest charge on redeemable capital contribution | 272,654 | 343,583 | 163,908 | 163,908 | – |
| Interest charge on convertible bond (Note 26) | – | 65 | 950 | 471 | 477 |
| Total interest expenses for liabilities not classified as at FVTPL | 390,756 | 504,344 | 334,965 | 251,907 | 84,773 |
| Less: amounts included in the cost of qualifying assets | (67,283) | (69,033) | (60,490) | (29,450) | (29,914) |
| | 323,473 | 435,311 | 274,475 | 222,457 | 54,859 |

## 9. LOSS BEFORE INCOME TAX CREDIT

Loss before income tax credit is arrived at after charging/(crediting) the following:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Auditors' remuneration | 377 | 618 | 975 | 288 | 279 |
| Depreciation of property, plant and equipment (Note 15) | 44,025 | 62,656 | 91,574 | 45,204 | 47,058 |
| Depreciation of right-of-use assets (Note 25) | 26,572 | 27,985 | 26,996 | 13,438 | 14,420 |
| Short-term leases expenses (Note 25) | 6,325 | 11,155 | 10,389 | 5,435 | 5,213 |
| Amortization of intangible assets (Note 16) | 13,331 | 23,368 | 29,479 | 14,719 | 14,991 |
| Gain on disposal of a subsidiary (Note 29) | – | 30,027 | – | – | – |
| Cost of inventory recognized as expenses | 51,230 | 251,149 | 279,499 | 68,913 | 148,145 |
| (Reversal of)/provision for impairment loss on trade receivables (Note 19) | (880) | (441) | 19,647 | 1,397 | (2,903) |
| Provision for/(reversal of) impairment loss on other receivables (Note 20) | 7,187 | (2,000) | 879 | 1,253 | (716) |
| Provision for/(reversal of) impairment loss on amounts due from related parties | 18,004 | 47,652 | (42,558) | (30,755) | (2,510) |
| Reversal of write-down of inventories (Note 18) | (539) | (30) | (12) | – | (31) |
| Write-off of intangible assets (Note 16) | – | – | 754 | 4 | – |
| Write-off of property, plant and equipment (Note 15) | – | – | 20 | 20 | 27 |
| **[REDACTED]** expense | – | – | 2,109 | 1,055 | 224 |
| Staff costs (including directors' emoluments – Note 13 ) : | | | | | |
| Salaries, wages and other benefits | 153,938 | 225,289 | 245,894 | 124,603 | 119,201 |
| Retirement scheme contribution | 26,254 | 52,007 | 54,566 | 29,745 | 28,481 |
| | 180,192 | 277,296 | 300,460 | 154,348 | 147,682 |

## 10. INCOME TAX CREDIT

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Current tax** | | | | | |
| (Overprovision)/underprovision for previous year | – | – | (407) | – | 66 |
| For current year/period | – | 9 | 215 | (2) | – |
| **Deferred tax (Note 17)** | | | | | |
| Credited to profit or loss for the year/period | (6,468) | (5,213) | (9,756) | (3,132) | (4,194) |
| | (6,468) | (5,204) | (9,948) | (3,134) | (4,128) |

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the Track Record Period.

Under the PRC Corporate Income Tax Law (the "CIT Law"), the Group's PRC entities are subject to income tax at a rate of 25%, unless otherwise specified.

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since January 1, 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. As at December 31, 2020, 2021, 2022 and June 30, 2023, the PRC entities have deficits in retained earnings, so no withholding tax is provided.

Provision for the PRC Enterprise Income Tax ("EIT") was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Certain companies were accredited as a High and New Technology Enterprise since 2019 and were entitled to a preferential income tax rate of 15% for the years ended December 31, 2020, 2021 and 2022 and June 30, 2023.

The income tax credit for the years/periods can be reconciled to the loss before income tax credit per the consolidated statements of profit or loss and other comprehensive income as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Loss before income tax credit | (597,809) | (836,337) | (647,170) | (418,201) | (218,385) |
| Notional tax on loss calculated at the applicable tax rate | (110,710) | (143,750) | (142,687) | (80,314) | (51,772) |
| Tax effect of share of results in associates | 10 | 24 | 35 | 25 | 227 |
| Tax effect of net expenses not deductible | 89,057 | 33,103 | 5,774 | 1,812 | 1,224 |
| Tax losses not recognized | 15,175 | 105,419 | 127,337 | 75,343 | 46,127 |
| (Overprovision)/underprovision in previous year | – | – | (407) | – | 66 |
| Income tax credit | (6,468) | (5,204) | (9,948) | (3,134) | (4,128) |

## 11. DIVIDENDS

No dividend was paid or proposed during the year of 2020, 2021 and 2022 and the six months ended June 30, 2023, nor has any dividend been proposed since the end of reporting period.

## 12. LOSS PER SHARE

Loss per share information is not presented as its inclusion for the purpose of this report is not considered meaningful.

## 13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' and supervisors' emoluments

**Details of directors' and supervisors' emoluments during the Track Record Period are as follows:**

| | Fees | Salaries, allowance and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Year ended December 31, 2020** | | | | | |
| *Executive director* | | | | | |
| Dr. YANG Jianyu | – | – | – | – | – |
| Mr. YAP Yaw Kong | – | 19 | – | 39 | 58 |
| Ms. FU Xiao | – | 467 | 452 | 33 | 952 |
| Non-executive directors | | | | | |
| Mr. WANG Lei | – | – | – | – | – |
| Mr. YIN Zhe | – | – | – | – | – |
| Mr. ZHANG Jing | – | – | – | – | – |
| Mr. XIN Jie | – | – | – | – | – |
| Mr. CHEN Hongzhang | – | – | – | – | – |
| Ms. WANG Heng | – | – | – | – | – |
| Supervisors | | | | | |
| Mr. PAN Lichen | – | 277 | 123 | 60 | 460 |
| Mr. TENG Shengchun | – | – | – | – | – |
| Mr. YU Yue | – | – | – | – | – |
| | – | 763 | 575 | 132 | 1,470 |

| | Fees | Salaries, allowance and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Year ended December 31, 2021** | | | | | |
| *Executive director* | | | | | |
| Dr. YANG Jianyu | – | – | – | – | – |
| Mr. YAP Yaw Kong | – | 105 | – | 15 | 120 |
| Ms. FU Xiao | – | 1,078 | 537 | 441 | 2,056 |

| | Fees | Salaries, allowance and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-executive directors | | | | | |
| Mr. YAP Yaw Kong | – | 1,014 | 532 | 75 | 1,621 |
| Mr. WANG Lei | – | – | – | – | – |
| Mr. YIN Zhe | – | – | – | – | – |
| Mr. ZHANG Jing | – | – | – | – | – |
| Mr. XIN Jie | – | – | – | – | – |
| Mr. CHEN Hongzhang | – | – | – | – | – |
| Mr. JIANG Shiming | – | – | – | – | – |
| Ms. WANG Heng | – | – | – | – | – |
| Supervisors | | | | | |
| Mr. PAN Lichen | – | 299 | 107 | 123 | 529 |
| Mr. TENG Shengchun | – | – | – | – | – |
| Mr. YU Yue | – | – | – | – | – |
| | – | 2,496 | 1,176 | 654 | 4,326 |

| | Fees | Salaries, allowance and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Year ended December 31, 2022** | | | | | |
| *Executive directors* | | | | | |
| Dr. YANG Jianyu | – | 943 | – | 327 | 1,270 |
| Ms. FU Xiao | – | 1,078 | 725 | 139 | 1,942 |
| Mr. CHANG Liang | – | 388 | 183 | 96 | 667 |
| Non-executive directors | | | | | |
| Mr. YAP Yaw Kong | – | 427 | 87 | 30 | 544 |
| Mr. WANG Lei | – | – | – | – | – |
| Mr. YIN Zhe | – | – | – | – | – |
| Mr. ZHANG Jing | – | 240 | 47 | 44 | 331 |
| Mr. CHEN Hongzhang | – | – | – | – | – |
| Mr. JIANG Shiming | – | – | – | – | – |
| Ms. WANG Heng | – | – | – | – | – |
| Supervisors | | | | | |
| Mr. PAN Lichen | – | 100 | 17 | 43 | 160 |
| Mr. TENG Shengchun | – | – | – | – | – |
| Mr. YU Yue | – | – | – | – | – |
| Ms. JIANG Li | – | 107 | 29 | 37 | 173 |
| | – | 3,283 | 1,088 | 716 | 5,087 |

| | Fees | Salaries, allowance and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Six months ended June 30, 2022 (Unaudited)** | | | | | |
| *Executive directors* | | | | | |
| Dr. YANG Jianyu | – | – | – | – | – |
| Ms. FU Xiao | – | 509 | – | 341 | 850 |
| Mr. CHANG Liang | – | 97 | 73 | 66 | 236 |
| Non-executive directors | | | | | |
| Mr. YAP Yaw Kong | – | – | – | – | – |
| Mr. WANG Lei | – | – | – | – | – |
| Mr. YIN Zhe | – | – | – | – | – |
| Mr. ZHANG Jing | – | – | – | – | – |
| Mr. CHEN Hongzhang | – | – | – | – | – |
| Mr. JIANG Shiming | – | – | – | – | – |
| Ms. WANG Heng | – | – | – | – | – |
| Supervisors | | | | | |
| Mr. PAN Lichen | – | – | – | – | – |
| Mr. TENG Shengchun | – | – | – | – | – |
| Mr. YU Yue | – | – | – | – | – |
| | – | 606 | 73 | 407 | 1,086 |

| | Fees | Salaries, allowance and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Six months ended June 30, 2023** | | | | | |
| *Executive directors* | | | | | |
| Dr. YANG Jianyu | – | 471 | – | 201 | 672 |
| Ms. FU Xiao | – | 539 | 275 | – | 814 |
| Mr. CHANG Liang | – | 291 | 73 | 74 | 438 |
| Non-executive directors | | | | | |
| Mr. WANG Lei | – | – | – | – | – |
| Mr. YIN Zhe | – | – | – | – | – |
| Mr. CHEN Hongzhang | – | – | – | – | – |
| Supervisors | | | | | |
| Mr. TENG Shengchun | – | – | – | – | – |
| Mr. YU Yue | – | – | – | – | – |
| Ms. JIANG Li | – | 80 | 8 | 30 | 118 |
| | – | 1,381 | 356 | 305 | 2,042 |

*Notes:*

(i) No directors and supervisors received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No directors and supervisors waived or agreed to waive any emoluments during the Track Record Period.

(ii) Mr. YAP Yaw Kong was resigned as executive director and was appointed as non-executive director on February 20, 2021. And Mr. YAP Yaw Kong was resigned as non-executive director due to restructuring the board composition on May 4, 2022.

(iii) Mr. XIN Jie was resigned as a non-executive director of the Company due to the reallocation of job duties on February 20, 2021.

(iv) Mr. CHEN Hongzhang was appointed as a non-executive director of the Company on April 7, 2020.

(v) Ms. FU Xiao was appointed as an executive director of the Company on April 7, 2020.

(vi) Mr. JIANG Shiming was appointed as a non-executive director of the Company on February 20, 2021.

(vii) Mr. CHANG Liang was appointed as an executive director of the Company on April 29, 2022.

(viii) Mr.JIANG Shiming was resigned as a non-executive director of the Company due to restructuring the board composition on April 29, 2022.

(ix) Mr.ZHANG Jing was resigned as a non-executive director of the Company due to restructuring the board composition on May 4, 2022.

(x) Ms.WANG Heng was resigned as a non-executive director of the Company due to restructuring the board composition on May 4, 2022.

(xi) Mr. PAN Lichen was resigned as a supervisor of the Company on April 29, 2022.

(xii) Ms. JIANG Li was appointed as a supervisor of the Company on April 29, 2022.

(xiii) Mr. YIN Zhe was resigned as a non-executive director of the Company due to his other business commitments on July 17, 2023.

(xiv) In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

**(b) The five highest paid individuals**

The five highest paid individuals of the Group during the Track Record Period are analyzed as follows:

| | Year ended December 31, | | | Six months June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* | *Number of individuals* (Unaudited) | *Number of individuals* |
| Directors | – | – | – | – | – |
| Non-directors, non-supervisors, the highest paid individuals | 5 | 5 | 5 | 5 | 5 |
| | 5 | 5 | 5 | 5 | 5 |

Details of the emoluments of the above non-directors and non-supervisors, the highest paid individuals during the Track Record Period are as follows:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Salaries, allowance and benefits in kind | 8,079 | 10,896 | 8,206 | 5,949 | 3,673 |
| Discretionary bonuses | 5,762 | 7,105 | 1,697 | 1,151 | 1,429 |
| Retirement scheme contribution | 206 | 1,384 | 2,891 | 1,111 | 338 |
| | 14,047 | 19,385 | 12,794 | 8,211 | 5,440 |

Note: None of the above non-directors, non-supervisors, the highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

The number of the highest paid non-directors fell within the following emolument band:

| | Year ended December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *Number of individuals* | *Number of individuals* | *Number of individuals* | *Number of individuals* (Unaudited) | *Number of individuals* |
| Nil to HK$1,000,000 | – | – | – | – | 2 |
| HK$1,000,001 to HK$1,500,000 | – | – | – | 2 | 2 |
| HK$1,500,001 to HK$2,000,000 | 1 | – | 1 | 1 | 1 |
| HK$2,000,001 to HK$2,500,000 | 1 | 1 | 2 | 1 | – |
| HK$2,500,001 to HK$3,000,000 | 1 | – | – | – | – |
| HK$3,000,001 to HK$3,500,000 | – | – | – | – | – |
| HK$3,500,001 to HK$4,000,000 | 1 | 1 | 2 | 1 | – |
| HK$4,000,001 to HK$4,500,000 | – | 2 | – | – | – |
| HK$5,000,001 to HK$5,500,000 | – | – | – | – | – |
| HK$5,500,001 to HK$6,000,000 | 1 | – | – | – | – |
| HK$8,000,001 to HK$8,500,000 | – | 1 | – | | |
| | 5 | 5 | 5 | 5 | 5 |

## 14. INTERESTS IN ASSOCIATES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Share of net assets** | 2,839 | 89,329 | 91,414 | 90,195 |

Particulars of the Group's associates are as follows:

| Name | Issued and paid up capital | Place of registration and business | Percentage of ownership interest attributable to the Group — As at December 31, 2020 | 2021 | 2022 | As at June 30, 2023 | Principal activity |
|---|---|---|---|---|---|---|---|
| Guangdong Hengjian Hezi Medical Industry Co., Ltd. ("Hengjian Hezi") (廣東恒健核子醫療產業有限公司) | RMB610,178,000 | PRC | -% | 14.20% | 14.20% | 14.20% | Medical treatment and service |
| Wuxi Meizhong Jiahe Cancer Center ("Wuxi Meizhong Jiahe") (無錫美中嘉和腫瘤醫院有限公司) | RMB112,110,000 | PRC | 2.68% | 2.68% | 2.68% | 2.68% | Medical treatment and service |
| Shanghai Changshengshu Enterprise Management Co., Ltd. ("SH CSS") (上海長生樹企業管理有限公司) | RMB10,000,000 | PRC | -% | -% | 4.67% | 4.67% | Medical treatment and service |
| Guangzhou Yicheng Biological Immunity Technology Co., Ltd. ("Guangzhou Yicheng") (廣州逸誠生物免疫技術有限公司) | RMB1,000,000 | PRC | -% | -% | 30% | 30% | Medical technology development and medical service |

Although the Group's ownership interest in Hengjian Hezi is only 14.2%, the Group is entitled to appoint two out of five directors to the board of directors of Hengjian Hezi, so that the Group has significant influence over it. The directors of the Company therefore treated Hengjian Hezi as an associate.

Although the Group's ownership interest in Wuxi Meizhong Jiahe is only 2.68%, the Group is entitled to appoint one out of three directors to the board of directors of Wuxi Meizhong Jiahe, so that the Group has significant influence over it. The directors of the Company therefore treated Wuxi Meizhong Jiahe as an associate.

Although the Group's ownership interest in SH CSS is only 4.67%, SHMDI, the Group's subsidiary, directly hold 20% of SH CSS ownership interest. And the operating and financing decision must be approved by 50% of the shareholder board. In this regard, SHMDI has significant influence over SH CSS, hence the Group also has significant influence over it. The directors of the Company therefore treated SH CSS as an associate.

Summarized financial information of material associates, adjusted for any difference in accounting policies:

**Hengjian Hezi**

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Current assets | N/A | 106,176 | 96,857 | 91,575 |
| Non-current assets | N/A | 725,180 | 742,151 | 747,947 |
| Current liabilities | N/A | 234,201 | 243,104 | 244,008 |
| Non-current liabilities | N/A | 20,000 | – | 20,000 |
| Net assets | N/A | 577,155 | 595,904 | 575,514 |
| Group's share of the net assets of the associate | N/A | 81,956 | 81,778 | 81,722 |
| Goodwill | N/A | 4,537 | 4,537 | 4,537 |
| Carrying amount of the Group's interest | N/A | 86,493 | 86,315 | 86,259 |

| | As at December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| Revenue | N/A | – | – | – | – |
| Post-tax loss | N/A | (1,142) | (1,251) | (689) | (390) |
| **Total comprehensive income** | N/A | (1,142) | (1,251) | (689) | (390) |

Summarized financial information (immaterial associates):

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | 2,839 | 2,836 | 5,099 | 3,936 |
| Aggregate financial information of the Group's associates: | | | | |
| Net assets | 106,102 | 105,980 | 111,136 | 92,876 |

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (Unaudited) | |
| Revenue | – | – | – | – | – |
| Post-tax loss | (2,527) | (122) | (344) | (93) | (2,147) |
| Total comprehensive income | (2,527) | (122) | (344) | (93) | (2,147) |

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Medical equipment | Electronic and office equipment | Motor vehicles | Leasehold improvement | Construction in progress ("CIP") | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **COST** | | | | | | | |
| **As at January 1, 2020** | **885** | **264,055** | **10,299** | **2,554** | **24,223** | **1,545,870** | **1,847,886** |
| **Additions** | **–** | **106,440** | **3,940** | **–** | **8,650** | **651,378** | **770,408** |
| **Acquired through acquisition of a subsidiary (Note 28)** | **–** | **2,665** | **617** | **–** | **775** | **–** | **4,057** |
| **Transfer** | **–** | **16,609** | **–** | **–** | **1,954** | **(18,563)** | **–** |
| **Disposal** | **–** | **(17,838)** | **(944)** | **–** | **–** | **–** | **(18,782)** |
| **As at December 31, 2020 and January 1, 2021** | **885** | **371,931** | **13,912** | **2,554** | **35,602** | **2,178,685** | **2,603,569** |
| **Additions** | **–** | **20,832** | **33,335** | **789** | **690** | **649,638** | **705,284** |
| **Acquired through acquisition of a subsidiary under common control** | **–** | **–** | **1,832** | **–** | **598** | **–** | **2,430** |
| **Disposed through disposal of a subsidiary (Note 29)** | **–** | **–** | **(156)** | **(450)** | **–** | **(169,289)** | **(169,895)** |
| **Transfer** | **747,263** | **198,881** | **204** | **–** | **562** | **(946,910)** | **–** |
| **Transfer to inventory** | **–** | **–** | **(23)** | **–** | **–** | **–** | **(23)** |
| **Disposal** | **–** | **(20,566)** | **(856)** | **(690)** | **–** | **–** | **(22,112)** |
| **As at December 31, 2021 and January 1, 2022** | **748,148** | **571,078** | **48,248** | **2,203** | **37,452** | **1,712,124** | **3,119,253** |
| **Additions** | **–** | **44,695** | **2,069** | **–** | **982** | **146,744** | **194,490** |
| **Transfer** | **6,823** | **727** | **4,187** | **–** | **3,228** | **(14,965)** | **–** |
| **Disposal** | **–** | **(15,185)** | **(25)** | **–** | **–** | **–** | **(15,210)** |
| **Write-off** | **–** | **–** | **(1,977)** | **–** | **–** | **–** | **(1,977)** |
| **As at December 31, 2022 and January 1, 2023** | **754,971** | **601,315** | **52,502** | **2,203** | **41,662** | **1,843,903** | **3,296,556** |
| **Additions** | **–** | **204** | **410** | **–** | **280** | **44,374** | **45,268** |
| **Transfer** | **–** | **–** | **–** | **–** | **657** | **(657)** | **–** |
| **Write-off** | **–** | **–** | **(207)** | **–** | **–** | **–** | **(207)** |
| **As at June 30, 2023** | **754,971** | **601,519** | **52,705** | **2,203** | **42,599** | **1,887,620** | **3,341,617** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | | | |
| **As at January 1, 2020** | **(133)** | **(114,492)** | **(6,945)** | **(2,282)** | **(9,393)** | **–** | **(133,245)** |
| **Charge for the year** | **(44)** | **(35,646)** | **(1,932)** | **(124)** | **(6,279)** | **–** | **(44,025)** |
| **Eliminated on disposal** | **–** | **12,748** | **838** | **–** | **–** | **–** | **13,586** |
| **As at December 31, 2020 and January 1, 2021** | **(177)** | **(137,390)** | **(8,039)** | **(2,406)** | **(15,672)** | **–** | **(163,684)** |
| **Charge for the year** | **(9,193)** | **(45,755)** | **(3,041)** | **(51)** | **(4,616)** | **–** | **(62,656)** |
| **Disposal of subsidiary** | **–** | **–** | **140** | **450** | **–** | **–** | **590** |
| **Acquisition of subsidiary through business combination under common control** | **–** | **–** | **(998)** | **–** | **–** | **–** | **(998)** |
| **Eliminated on disposal** | **–** | **19,989** | **787** | **621** | **–** | **–** | **21,397** |
| **As at December 31, 2021 and January 1, 2022** | **(9,370)** | **(163,156)** | **(11,151)** | **(1,386)** | **(20,288)** | **–** | **(205,351)** |
| **Charge for the year** | **(18,414)** | **(59,330)** | **(9,770)** | **(167)** | **(3,893)** | **–** | **(91,574)** |

| | Buildings | Medical equipment | Electronic and office equipment | Motor vehicles | Leasehold improvement | Construction in progress ("CIP") | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Eliminated on disposal** | **–** | **13,392** | **19** | **–** | **–** | **–** | **13,411** |
| **Write-off** | **–** | **–** | **1,957** | **–** | **–** | **–** | **1,957** |
| **As at December 31, 2022 and January 1, 2023** | **(27,784)** | **(209,094)** | **(18,945)** | **(1,553)** | **(24,181)** | **–** | **(281,557)** |
| **Charge for the period** | **(9,193)** | **(31,240)** | **(4,489)** | **(79)** | **(2,057)** | **–** | **(47,058)** |
| **Write-off** | **–** | **–** | **180** | **–** | **–** | **–** | **180** |
| **As at June 30, 2023** | **(36,977)** | **(240,334)** | **(23,254)** | **(1,632)** | **(26,238)** | **–** | **(328,435)** |
| **NET BOOK VALUE** | | | | | | | |
| **As at December 31, 2020** | **708** | **234,541** | **5,873** | **148** | **19,930** | **2,178,685** | **2,439,885** |
| **As at December 31, 2021** | **738,778** | **407,922** | **37,097** | **817** | **17,164** | **1,712,124** | **2,913,902** |
| **As at December 31, 2022** | **727,187** | **392,221** | **33,557** | **650** | **17,481** | **1,843,903** | **3,014,999** |
| **As at June 30, 2023** | **717,994** | **361,185** | **29,451** | **571** | **16,361** | **1,887,620** | **3,013,182** |

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values.

Medical equipment and construction in progress which are held for own use is situated in the PRC. At December 31, 2020, 2021, 2022 and June 30, 2023, assets with carrying amounts of RMB1,517,354,000, RMB1,796,044,000, RMB1,972,494,000 and RMB1,989,806,000, respectively were pledged as collateral for Group's bank and other borrowings (Note 27(vi)).

Depreciation of the Group's property, plant and equipment has been recognized in the consolidated statements of profit or loss and other comprehensive income as follows:

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Cost of revenue | 36,586 | 51,755 | 82,489 | 38,093 | 37,343 |
| Administrative expenses | 7,439 | 10,901 | 9,085 | 7,111 | 9,715 |
| | **44,025** | **62,656** | **91,574** | **45,204** | **47,058** |

## 16. INTANGIBLE ASSETS

| | Goodwill | Customer relationship | Customer contracts | Software | Operating license | Patents and technology | Development in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **COST** | | | | | | | | |
| **As at January 1, 2020** | 172,762 | 18,125 | – | 2,665 | 521,350 | – | 3,238 | 718,140 |
| Additions | – | – | – | 810 | – | – | 15,592 | 16,402 |
| Acquired through acquisition of a subsidiary (Note28) | 2,613 | – | – | 53 | 5,000 | – | – | 7,666 |
| **As at December 31, 2020 and January 1, 2021** | 175,375 | 18,125 | – | 3,528 | 526,350 | – | 18,830 | 742,208 |
| Additions | – | – | 7,813 | 19,254 | – | 290 | 18,276 | 45,633 |
| Transfer | – | – | – | 27,423 | – | – | (27,423) | – |
| Transfer to inventory | – | – | – | (15,131) | – | – | – | (15,131) |
| Acquired through acquisition of a subsidiary under common control | 368,221 | – | – | 1,544 | – | 132,251 | – | 502,016 |
| Disposed through disposal of a subsidiary (Note29) | (31,820) | – | – | – | (272,910) | – | – | (304,730) |
| **As at December 31, 2021 and January 1, 2022** | 511,776 | 18,125 | 7,813 | 36,618 | 253,440 | 132,541 | 9,683 | 969,996 |
| Additions | – | – | – | 1,659 | – | – | 990 | 2,649 |
| Written-off | – | – | – | (750) | – | (4) | – | (754) |
| **As at December 31, 2022 and January 1, 2023** | 511,776 | 18,125 | 7,813 | 37,527 | 253,440 | 132,537 | 10,673 | 971,891 |
| Additions | – | – | – | 1,750 | – | 7 | 389 | 2,146 |
| **As at June 30, 2023** | 511,776 | 18,125 | 7,813 | 39,277 | 253,440 | 132,544 | 11,062 | 974,037 |
| **ACCUMULATED AMORTIZATION** | | | | | | | | |
| **As at January 1, 2020** | – | (17,132) | – | (1,243) | (10,978) | – | – | (29,353) |

| | Goodwill | Customer relationship | Customer contracts | Software | Operating license | Patents and technology | Development in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Amortization for the year | – | – | – | (721) | (12,610) | – | – | (13,331) |
| **As at December 31, 2020 and January 1, 2021** | – | (17,132) | – | (1,964) | (23,588) | – | – | (42,684) |
| Amortization for the year | – | – | (1,830) | (2,238) | (12,672) | (6,628) | – | (23,368) |
| Acquired through acquisition of a subsidiary under common control | – | – | – | (585) | – | (24) | – | (609) |
| **As at December 31, 2021 and January 1, 2022** | – | (17,132) | (1,830) | (4,787) | (36,260) | (6,652) | – | (66,661) |
| Amortization for the year | – | – | (3,388) | (6,766) | (12,672) | (6,653) | – | (29,479) |
| **As at December 31, 2022 and January 1, 2023** | – | (17,132) | (5,218) | (11,553) | (48,932) | (13,305) | – | (96,140) |
| Amortization for the period | – | – | (1,680) | (3,648) | (6,336) | (3,327) | – | (14,991) |
| **As at June 30, 2023** | – | (17,132) | (6,898) | (15,201) | (55,268) | (16,632) | – | (111,131) |
| **ACCUMULATED IMPAIRMENT** | | | | | | | | |
| **As at January 1, 2020** | – | (993) | – | – | – | – | – | (993) |
| Provision for the year | – | – | – | – | – | – | – | – |
| **As at December 31, 2020 and January 1, 2021** | – | (993) | – | – | – | – | – | (993) |
| Provision for the year | – | – | – | – | – | – | – | – |
| **As at December 31, 2021 and January 1, 2022** | – | (993) | – | – | – | – | – | (993) |
| Provision for the year | – | – | – | – | – | – | – | – |
| **As at December 31, 2022 and January 1, 2023** | – | (993) | – | – | – | – | – | (993) |
| Provision for the period | - | - | - | - | - | - | - | - |
| **As at June 30, 2023** | - | (993) | - | - | - | - | - | (993) |
| **NET BOOK VALUE** | | | | | | | | |
| **As at December 31, 2020** | 175,375 | – | – | 1,564 | 502,762 | – | 18,830 | 698,531 |
| **As at December 31, 2021** | 511,776 | – | 5,983 | 31,831 | 217,180 | 125,889 | 9,683 | 902,342 |
| **As at December 31, 2022** | 511,776 | – | 2,595 | 25,974 | 204,508 | 119,232 | 10,673 | 874,758 |
| **As at June 30, 2023** | 511,776 | - | 915 | 24,076 | 198,172 | 115,912 | 11,062 | 861,913 |

During the year ended December 31, 2020, the Group acquired 70% of the equity interests in Guangzhou Concord (formerly named as Guangzhou New Spring Hospital Management Ltd.) at a consideration of RMB8,400,000. At the date of the acquisition, operating license and goodwill of RMB5,000,000 and RMB2,613,000 have been recognized.

During the year ended December 31, 2021, the Group acquired 26.34% of the equity interests in Beijing Healthingkon through Common Control Combination (Note 3.1). Under common control combination mentioned in Note 3.1, operating license and goodwill attributed to SHMDI of RMB84,000,000 and RMB41,998,000 respectively have been recognized as at November 18, 2019. Patents and technology and goodwill attributed to Beijing Healthingkon of RMB132,190,000 and RMB368,221,000 respectively have been recognized as at January 1, 2021.

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs as follows.

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Guangzhou Concord | 2,613 | 2,613 | 2,613 | 2,613 |
| SHMDI | 41,998 | 41,998 | 41,998 | 41,998 |
| Beijing Healthingkon | N/A | 368,221 | 368,221 | 368,221 |
| Shanghai Outpatient Center | 98,944 | 98,944 | 98,944 | 98,944 |
| Beijing Century Friendship | 31,820 | N/A | N/A | N/A |
| | **175,375** | **511,776** | **511,776** | **511,776** |

The goodwill has been tested for impairment by management. The recoverable amount of each cash generating unit ("CGU") has been assessed by an independent valuer, Asia-Pacific Consulting and Appraisal Limited, and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budget covering period of 5-12 years approved by management.

Management extended the five-year projections as suggested by HKAS 36 "Impairment of Assets" for additional seven year projections after taking into consideration of past experience of the management and the useful life of the operating licenses and technology, the additional periods would reflect the expected pattern of consumption of the assets and certain CGUs with projections exceeded 5 years are still at an early stage of the development. The management believes the extended cash flow projection captures the development stage of the Group's business during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management has over 15 years of experience in the healthcare service industry and they leveraged their extensive experiences in healthcare service industry and provided forecast for an extended period based on past performance and their expectation of future business plans and market developments. These provide a reasonable basis for management to forecast cash flows reliably over a longer period. Cash flows beyond the projection period are extrapolated using an estimated long term growth rate of 3%, with reference to certain external data. This rate does not exceed the average long-term growth rate for the relevant markets for all CGUs during the Track Record Period.

The following table sets forth each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Guangzhou Concord CGU: | | | | |
| Long-term growth rate | 3% | 3% | 3% | 3% |
| Pre-tax discount rate | 17.4% | 18.0% | 16.4% | 17.0% |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For SHMDI CGU: | | | | |
| Long-term growth rate | 3% | 3% | 3% | 3% |
| Pre-tax discount rate | 16.8% | 16.8% | 17.9% | 18.1% |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Beijing Healthingkon CGU: | | | | |
| Long-term growth rate | N/A | 3% | 3% | 3% |
| Pre-tax discount rate | N/A | 18.8% | 19.5% | 19.5% |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Shanghai Outpatient Center CGU: | | | | |
| Long-term growth rate | 3% | 3% | 3% | 3% |
| Pre-tax discount rate | 19.3% | 18.5% | 18.2% | 17.6% |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| For Beijing Century Friendship CGU: | | | | |
| Long-term growth rate | 3% | N/A | N/A | N/A |
| Pre-tax discount rate | 21.5% | N/A | N/A | N/A |

The following table sets out the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of each CGU as at the dates indicated. The Group showed the headroom (the recoverable amount of the CGU would exceed the carrying amount of the CGU) as at the end of each year or period by applying a 0.5% and 1.0% decrease in long-term growth rate and applying a 0.5% and 1.0% increase in pre-tax discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals actual historical fluctuations, the Group believes that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysis of the potential impact of the changes in such assumptions on the recoverable amount of each CGU.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **For Guangzhou Concord CGU:** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 3,610 | 24,378 | 11,195 | 2,530 |
| 1% | 2,422 | 22,703 | 9,656 | 1,418 |
| Pre-tax discount rate increase | | | | |
| 0.5% | 2,445 | 23,743 | 10,800 | 2,148 |
| 1% | 180 | 21,458 | 8,887 | 679 |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **For SHMDI CGU:** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 112,270 | 237,129 | 74,183 | 138,224 |
| 1% | 106,662 | 229,694 | 63,019 | 127,945 |
| Pre-tax discount rate increase | | | | |
| 0.5% | 97,343 | 223,040 | 71,292 | 135,131 |
| 1% | 77,712 | 202,254 | 57,277 | 121,805 |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **For Beijing Healthingkon CGU:** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | N/A | 47,832 | 60,977 | 92,252 |
| 1% | N/A | 38,344 | 46,469 | 76,492 |
| Pre-tax discount rate increase | | | | |
| 0.5% | N/A | 89,846 | 39,455 | 70,868 |
| 1% | N/A | 124,071 | 5,155 | 35,436 |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **For Shanghai Outpatient Center CGU:** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 23,900 | 118,558 | 18,059 | 26,032 |
| 1% | 14,677 | 105,663 | 7,800 | 16,138 |
| Pre-tax discount rate increase | | | | |
| 0.5% | 19,565 | 115,718 | 15,059 | 22,502 |
| 1% | 6,187 | 99,975 | 1,864 | 9,185 |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **For Beijing Century Friendship CGU:** | | | | |
| Long-term growth rate decrease | | | | |
| 0.5% | 128,142 | N/A | N/A | N/A |
| 1% | 107,904 | N/A | N/A | N/A |
| Pre-tax discount rate increase | | | | |
| 0.5% | 120,274 | N/A | N/A | N/A |
| 1% | 92,618 | N/A | N/A | N/A |

As at December 31, 2020, 2021 and 2022 and June 30, 2023, the recoverable amounts of the Guangzhou Concord CGU calculated based on VIU exceeded carrying value by approximately RMB4,890,000, RMB26,193,000, RMB12,862,000 and RMB3,739,000 respectively.

As at December 31, 2020, 2021, 2022 and June 30, 2023, the recoverable amounts of the SHMDI CGU calculated based on VIU exceeded carrying amount by approximately RMB118,309,000, RMB245,184,000, RMB86,277,000 and RMB149,361,000 respectively.

As at December 31, 2021, 2022 and June 30, 2023, the recoverable amounts of the Beijing Healthingkon CGU calculated based on VIU exceeded carrying amount by approximately RMB57,953,000, RMB76,452,000 and RMB109,062,000 respectively.

As at December 31, 2020, 2021, 2022 and June 30, 2023, the recoverable amounts of the Shanghai Outpatient Center CGU calculated based on VIU exceeded carrying amount by approximately RMB33,831,000, RMB132,528,000, RMB29,172,000 and RMB36,786,000 respectively.

As at December 31, 2020, the recoverable amounts of the Beijing Century Friendship CGU calculated based on VIU exceeded carrying amount by approximately RMB149,730,000.

The headroom of each CGU that was subject to impairment assessment at the end of each reporting period is not less than 9.5% of the respective carrying amount during the Track Record Period. In the opinion of the directors of the Company, any reasonably possible change in key parameters on which the recoverable amount is based would not cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer, the directors of the Company determined that no impairment provision on goodwill was required as at December 31, 2020, 2021, 2022 and June 30, 2023.

**17. DEFERRED TAX**

Details of the deferred tax assets and liabilities recognized and movements during the Track Record Period is as follows:

**Deferred tax assets**

| | Lease liabilities | Total |
|---|---|---|
| | RMB'000 | RMB'000 |
| **At 1 January 2020** | **47,182** | **47,182** |
| Credited to profit or loss for the year (Note 10) | 748 | 748 |
| **At 31 December 2020 and 1 January 2021** | **47,930** | **47,930** |
| Charged to profit or loss for the year (Note 10) | (1,324) | (1,324) |
| **At 31 December 2021 and 1 January 2022** | **46,606** | **46,606** |
| Credited to profit or loss for the year (Note 10) | 1,539 | 1,539 |
| **At 31 December 2022 and 1 January 2023** | **48,145** | **48,145** |
| Credited to profit or loss for the year (Note 10) | 2,224 | 2,224 |
| **At 30 June 2023** | **50,369** | **50,369** |

**Deferred tax liabilities**

| | Amortisation of patent | Amortisation of operating license | Amortisation of favourable lease | Right of use asset | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **At 1 January 2020** | – | (127,593) | (4,843) | (36,370) | (168,806) |
| Acquired through acquisition of a subsidiary (Note 28) | – | (1,250) | – | – | (1,250) |
| Credited to profit or loss for the year (Note 10) | – | 3,152 | 392 | 2,176 | 5,720 |
| **At 31 December 2020 and 1 January 2021** | – | (125,691) | (4,451) | (34,194) | (164,336) |
| Acquired through acquisition of subsidiary under common control | (19,829) | – | – | – | (19,829) |
| Disposals through disposal of subsidiary (Note 29) | – | 68,228 | – | – | 68,228 |
| Credited to profit or loss for the year (Note 10) | 991 | 3,168 | 392 | 1,986 | 6,537 |
| **At 31 December 2021 and 1 January 2022** | (18,838) | (54,295) | (4,059) | (32,208) | (109,400) |
| Credited to profit or loss for the year (Note 10) | 991 | 3,168 | 392 | 3,666 | 8,217 |
| **At 31 December 2022 and 1 January 2023** | (17,847) | (51,127) | (3,667) | (28,542) | (101,183) |
| Credited/(charged) to profit or loss for the period (Note 10) | 496 | 1,584 | 196 | (306) | 1,970 |
| **At 30 June 2023** | (17,351) | (49,543) | (3,471) | (28,848) | (99,213) |

As at December 31, 2020, 2021, 2022 and June 30, 2023, the Group had unused tax losses of approximately RMB335,701,000, RMB890,172,000, RMB1,164,170,000 and RMB1,209,159,000 respectively, available to offset against future profits.

In accordance with the accounting policy set out in note 3.19, the Group has not recognized deferred tax assets in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity.

For the purpose of presentation in the consolidation statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for the financial reporting purpose:

| | As at December 31, 2020 | As at December 31, 2021 | As at December 31, 2022 | As at June 30, 2023 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Deferred tax assets | 13,736 | 14,398 | 19,603 | 21,521 |
| Deferred tax liabilities | (130,142) | (77,192) | (72,641) | (70,365) |
| | (116,406) | (62,794) | (53,038) | (48,844) |

## 18. INVENTORIES

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Medicine | 5,013 | 10,259 | 9,896 | 4,873 |
| Medical materials | 373 | 722 | 956 | 847 |
| Medical equipment | 15,884 | 26,921 | 72,158 | 36,857 |
| Medical software | – | 133 | 1,738 | 28 |
| Low-value consumables | 1,011 | 669 | 694 | 663 |
| | 22,281 | 38,704 | 85,442 | 43,268 |
| Less: inventory write-down | (649) | (619) | (607) | (576) |
| | 21,632 | 38,085 | 84,835 | 42,692 |

## 19. TRADE RECEIVABLES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | 62,230 | 142,040 | 133,601 | 105,860 |
| Less: allowance for impairment | (5,048) | (4,607) | (24,254) | (21,351) |
| | 57,182 | 137,433 | 109,347 | 84,509 |

As at December 31, 2020, 2021, 2022 and June 30, 2023, the trade receivables was denominated in RMB.

Except for certain customers being granted approximately 90 days of credit term, there is no credit term granted by the Group to its trade customers. Based on the date of delivery of goods or services which approximated the respective dates on which revenue was recognized, the aging analysis of the Group's net amount of trade receivables at the end of each reporting period is as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within 3 months | 27,984 | 115,194 | 77,520 | 36,731 |
| 4-6 months | 13,424 | 12,335 | 8,014 | 4,479 |
| 7-12 months | 11,908 | 9,053 | 14,491 | 29,881 |
| 1-2 years | 3,866 | 851 | 9,322 | 13,418 |
| Total | 57,182 | 137,433 | 109,347 | 84,509 |

The Group recognized expected credit losses based on the accounting policy stated in Note 3.16.

The movements in the loss allowance for impairment of trade receivables are as follows:

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year | 5,928 | 5,048 | 4,607 | 24,254 |
| Impairment loss (reversed)/recognized, net | (880) | (441) | 19,647 | (2,903) |
| At the end of the year | 5,048 | 4,607 | 24,254 | 21,351 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns, if any. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

| | Up to 1 year | 1 to 2 year | Over 2 years | Total |
|---|---|---|---|---|
| **At December 31, 2020** | | | | |
| Expected loss rate | 3.9% | 10% | 100% | |
| Gross carrying amount (RMB'000) | 55,482 | 4,294 | 2,454 | 62,230 |
| Loss allowance provision (RMB'000) | 2,166 | 428 | 2,454 | 5,048 |
| **At December 31, 2021** | | | | |
| Expected loss rate | 2.1% | 15.8% | 100% | |
| Gross carrying amount (RMB'000) | 139,579 | 1,011 | 1,450 | 142,040 |
| Loss allowance provision (RMB'000) | 2,997 | 160 | 1,450 | 4,607 |
| **At December 31, 2022** | | | | |
| Expected loss rate | 11.6% | 51.0% | 100% | |
| Gross carrying amount (RMB'000) | 113,176 | 19,029 | 1,396 | 133,601 |
| Loss allowance provision (RMB'000) | 13,150 | 9,708 | 1,396 | 24,254 |
| **At June 30, 2023** | | | | |
| Expected loss rate | 11.8% | 40.6% | 100% | |
| Gross carrying amount (RMB'000) | 80,621 | 22,591 | 2,648 | 105,860 |
| Loss allowance provision (RMB'000) | 9,530 | 9,173 | 2,648 | 21,351 |

Further details on the Group's credit policy are set out in Note 37(b).

## 20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Non-current assets** | | | | |
| Deposits | 5,575 | 6,645 | 4,049 | 3,686 |
| Other receivables | 4,262 | 1,378 | 1,407 | 1,378 |
| | 9,837 | 8,023 | 5,456 | 5,064 |
| Less: allowance for impairment | (1,445) | (1,080) | (1,509) | (1,253) |
| | 8,392 | 6,943 | 3,947 | 3,811 |
| Prepayment for long term investment | 25,490 | – | – | – |
| Prepayment for property, plant and equipment | 74,474 | 45,540 | 5,551 | 2,485 |
| | 108,356 | 52,483 | 9,498 | 6,296 |
| **Current assets** | | | | |
| Deposits | 2,304 | 4,536 | 9,569 | 9,581 |
| Advance to employees | 2,526 | 2,257 | 2,092 | 2,094 |
| Other receivables | 54,124 | 39,197 | 59,121 | 56,175 |
| | 58,954 | 45,990 | 70,782 | 67,850 |
| Less: allowance for impairment | (9,614) | (7,979) | (5,429) | (4,969) |
| | 49,340 | 38,011 | 65,353 | 62,881 |
| Prepayments | 34,850 | 36,223 | 67,331 | 117,069 |
| | 84,190 | 74,234 | 132,684 | 179,950 |

Note: The outstanding balances are interest free, unsecured and repayable on demand.

The movements in the loss allowance for impairment of deposit and other receivables are as follows:

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year | 3,872 | 11,059 | 9,059 | 6,938 |
| Impairment/(reversal of) loss recognized, net | 7,187 | (2,000) | 879 | (716) |
| Bad debt written off | – | – | (3,000) | – |
| At the end of the year | 11,059 | 9,059 | 6,938 | 6,222 |

The Group recognized expected credit losses based on the accounting policy stated in Note 3.16. Further details on the Group's credit policy are set out in Note 37(b).

## 21. CASH AND CASH EQUIVALENTS

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash on hand | 535 | 471 | 246 | 184 |
| Cash at bank | 424,297 | 135,614 | 126,250 | 257,126 |
| | 424,832 | 136,085 | 126,496 | 257,310 |

*Notes:*

a) Cash on hand and at bank are denominated in RMB placed in the PRC. RMB is not freely convertible to other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorized to conduct foreign exchange business.

b) The cash and cash equivalents disclosed above and in the consolidated statements of cash flows include restricted cash of RMB112,131,000, RMB1,543,000, RMB1,060,000 and RMB21,426,000 as at December 31, 2020, 2021, 2022 and June 30, 2023 respectively, which are arising from certain bank borrowings obtained with use being restricted on hospital construction.

## 22. AMOUNTS DUE FROM/ TO RELATED PARTIES

The balances mainly represent the amounts due from/ to associates and other related parties which are unsecured, interest-free and repayable on demand. The amounts due from related parties as at December 31, 2021 and 2022 and June 30, 2023 also included RMB142,895,000 and RMB159,695,000 and RMB159,695,000 loan to an associate which are unsecured, bears interest at 4.35% per annum and will mature in December 2022 and December 2023, respectively. The loan to an associate complies with local law and regulation.

Further details on the Group's credit policy and credit risk analysis arising from amounts due from related parties are set out in Note 37(b).

## 23. TRADE PAYABLES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade payables | 17,703 | 101,247 | 145,858 | 128,666 |
| | 17,703 | 101,247 | 145,858 | 128,666 |

An aging analysis of the Group's trade payables based on the invoice date as at the end of each reporting period is as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | 17,562 | 100,924 | 140,109 | 99,273 |
| More than 1 year but within 2 years | 46 | 321 | 5,671 | 27,998 |
| More than 2 years but within 3 years | 93 | – | 76 | 1,393 |
| More than 3 years but within 6 years | 2 | 2 | 2 | 2 |
| | 17,703 | 101,247 | 145,858 | 128,666 |

### 24. ACCRUALS AND OTHER PAYABLES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Accruals and other payables | 129,258 | 202,883 | 161,312 | 163,558 |
| Salaries payables | 27,764 | 42,192 | 71,160 | 51,289 |
| Other tax payable | 12,966 | 14,290 | 12,257 | 9,395 |
| | 169,988 | 259,365 | 244,729 | 224,242 |

### 25. LEASE

**The Group as a lessee**

The Group leases properties and a land use right to operate its business. Leased properties such as offices and medical institutions are typically made for fixed terms of 2 to 18 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased properties may not be used as security for borrowing purpose. The Group's lease agreements include fixed payments and do not contain material residual value guarantees. The Group's leases do not contain restrictions or covenants that restrict the Group from incurring other financial obligation.

For land use right, it is located in Guangzhou and Shanghai, PRC, with lease periods of 50 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

| | Leased properties | Land use right | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **At January 1, 2020** | 167,270 | 416,548 | 583,818 |
| Additions | 8,625 | 7,170 | 15,795 |
| Acquired through acquisition of a subsidiary (Note28) | 11,249 | – | 11,249 |
| Termination of lease | (2,733) | – | (2,733) |
| Depreciation charge | (17,324) | (9,248) | (26,572) |
| **At December 31, 2020 and January 1, 2021** | 167,087 | 414,470 | 581,557 |
| Additions | 9,194 | – | 9,194 |
| Acquired through acquisition of a subsidiary under common control | 4,338 | – | 4,338 |
| Termination of lease | (147) | – | (147) |
| Depreciation charge | (18,631) | (9,354) | (27,985) |
| Effect of lease modification | (3,382) | – | (3,382) |
| Disposed through disposal of a subsidiary (Note 29) | (2,702) | – | (2,702) |
| **At December 31, 2021 and January 1, 2022** | 155,757 | 405,116 | 560,873 |
| Additions | 7,168 | 215 | 7,383 |
| Depreciation charge | (17,637) | (9,359) | (26,996) |
| Termination of lease | (2,302) | – | (2,302) |
| Effect of lease modification | (5,792) | – | (5,792) |
| **At December 31, 2022 and January 1, 2023** | 137,194 | 395,972 | 533,166 |
| Additions | 14,819 | - | 14,819 |
| Depreciation charge | (9,741) | (4,679) | (14,420) |
| Termination of lease | (790) | - | (790) |
| **At June 30, 2023** | 141,482 | 391,293 | 532,775 |

The carrying amounts of right-of-use assets at end of each reporting period and the depreciation by classes of right-of-use assets are set out as below:

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| **Depreciation charge** | | | | | |
| Land use rights | 9,248 | 9,354 | 9,359 | 4,679 | 4,679 |
| Leased properties | 17,324 | 18,631 | 17,637 | 8,759 | 9,741 |
| | 26,572 | 27,985 | 26,996 | 13,438 | 14,420 |

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Carrying amounts | | | | |
| Land use rights | 414,470 | 405,116 | 395,972 | 391,293 |
| Leased properties | 167,087 | 155,757 | 137,194 | 141,482 |
| | 581,557 | 560,873 | 533,166 | 532,775 |

Payments associated with short-term leases are recognized on a straight-line basis as an expense in statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less and without a purchase option. The leases do not contain any variable lease payments.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

| | Year ended December 31, | | | Six months ended June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Carrying amount at the beginning of year/period | 191,449 | 204,938 | 198,534 | 202,307 |
| Addition of new leases | 8,350 | 9,194 | 7,168 | 14,819 |
| Acquisition of subsidiary under common control | – | 5,224 | – | – |
| Acquired through acquisition of a subsidiary (Note 28) | 11,249 | – | – | – |
| Disposed through disposal of a subsidiary (Note 29) | – | (2,826) | – | – |
| Termination of lease | (3,142) | (173) | (2,705) | (936) |
| Accretion of interest recognized during the year/period | 15,459 | 15,859 | 14,752 | 7,116 |
| Lease payments | (16,547) | (27,059) | (9,650) | (8,193) |
| Rent concessions | (1,880) | – | – | – |
| Effect of lease modification | – | (6,623) | (5,792) | – |
| Carrying amount at the end of year/period | 204,938 | 198,534 | 202,307 | 215,113 |

Future lease payments are due as follows:

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Future lease payments due** | | | | |
| Not later than one year | 24,444 | 26,471 | 27,202 | 33,066 |
| Later than one year and not later than two years | 24,291 | 24,062 | 26,642 | 29,279 |
| Later than two years and not later than five years | 24,018 | 22,535 | 24,066 | 27,621 |
| Later than five years | 280,960 | 258,425 | 237,930 | 233,215 |
| | 353,713 | 331,493 | 315,840 | 323,181 |
| Less: future finance charges | (148,775) | (132,959) | (113,533) | (108,068) |
| | 204,938 | 198,534 | 202,307 | 215,113 |
| Present value of lease liabilities | 204,938 | 198,534 | 202,307 | 215,113 |
| – Current | 9,236 | 11,972 | 14,633 | 23,475 |
| – Non-current | 195,702 | 186,562 | 187,674 | 191,638 |

(c) The amounts recognized in profit or loss in the relation to leases are as follows:

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Interest charge on lease liabilities | 15,459 | 15,859 | 14,752 | 7,484 | 7,116 |
| Depreciation of right-of-use assets | 26,572 | 27,985 | 26,996 | 13,438 | 14,420 |
| Short-term leases expense | 6,325 | 11,155 | 10,389 | 5,435 | 5,213 |
| Total amount recognized in profit or loss | 48,356 | 54,999 | 52,137 | 26,357 | 26,749 |

**The Group as a Lessor**

The Group leases its medical equipment in the PRC under non-cancellable operating lease arrangements with variable considerations.

**26. CONVERTIBLE BOND**

In December, 2021, Beijing Healthingkon, a subsidiary of the Company issued a 4.75% convertible bond with a principal amount of RMB20 million to an independent third party (the "Subscriber"). The convertible bond is denominated in RMB and is unsecured. The convertible bond will mature in five years from the issue date (i.e. December 2026). Unless previously redeemed (subject to the Subscriber's approval) or converted, Beijing Healthingkon will redeem all the convertible bond at its principal amount together with any accrued but unpaid interest. Bond interest shall be paid upon maturity or upon early redemption. The Subscriber has the right to convert the convertible bond in whole or in part of the outstanding principal amount of the convertible bond into ordinary shares of Beijing Healthingkon at a conversion price based on i) 100% equity valuation of Beijing Healthingkon at the date of issuance should the Subscriber exercise its right to convert during the period from the issuance date to the end of its third anniversary of the issuance; or ii) 80% equity valuation of Beijing Healthingkon at the date of conversion should the Subscriber exercise its right to convert during the period from the beginning of its fourth anniversary of issuance date to its maturity.

The fair value of the embedded derivative liability representing the conversion option is determined first and the residual amount is assigned to the debt host liability. The fair value of the conversion right was calculated using binomial model. The debt liability component is subsequently carried at amortized cost using the effective interest method, and embedded derivative liability is subsequently measured at fair value through profit or loss.

The convertible bond recognized in the consolidated statements of financial position is calculated as follows:

| | Liability component | Embedded derivatives | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2020 and December 31, 2020 | – | – | – |
| Proceeds from issue of convertible bond | 15,691 | 4,309 | 20,000 |
| Interest expense | 65 | – | 65 |
| Change in fair value of embedded derivatives | – | 64 | 64 |
| At December 31, 2021 and January 1, 2022 | 15,756 | 4,373 | 20,129 |
| Interest expense | 950 | – | 950 |
| Change in fair value of embedded derivatives | – | (763) | (763) |
| At December 31, 2022 and January 1, 2023 | 16,706 | 3,610 | 20,316 |
| Interest expense | 477 | – | 477 |
| Change in fair value of embedded derivatives | – | (767) | (767) |
| At June 30, 2023 | 17,183 | 2,843 | 20,026 |

The Company has engaged an independent valuer to determine the fair value of the convertible bond. The discounted cash flow method was used to determine the total equity value of the Company and the binomial model was adopted to determine the fair value of the convertible bond.

Key valuation assumptions used to determine the fair value of the convertible bond are as follows:

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| Risk-free interest rate | – | 2.60% | 2.52% | 2.27% |
| Volatility | – | 46.00% | 52.00% | 54.00% |
| Stock price (RMB) | – | 12.4 | 12.4 | 12.4 |

## 27. BANK AND OTHER BORROWINGS

| | As at December 31 | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Short-term borrowing** | | | | |
| Secured bank loan | 9,290 | 24,780 | 32,900 | 92,937 |
| Secured other borrowings | 2,605 | – | – | – |
| Unsecured bank borrowings | – | – | – | 5,000 |
| **Current portion of long term borrowing** | | | | |
| Secured bank loan | 56,912 | 83,820 | 43,795 | 97,732 |
| Secured other borrowings from a related party | 25,954 | 59,622 | 62,682 | 97,007 |
| Secured other borrowings | 10,758 | 14,558 | 32,641 | 39,540 |
| Unsecured bank borrowings | – | – | – | 10,000 |
| **Non-current portion of long term borrowing** | | | | |
| Secured bank loan | 1,514,014 | 1,743,695 | 1,909,098 | 1,831,811 |
| Secured other borrowings from a related party | 300,485 | 280,219 | 218,607 | 172,524 |
| Secured other borrowings | 14,667 | 12,923 | 91,809 | 71,374 |
| Unsecured other borrowings | 29,618 | – | – | – |
| | 1,964,303 | 2,219,617 | 2,391,532 | 2,417,925 |

Total bank and other borrowings were scheduled to repay as follows:

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| On demand or within 1 year | 105,519 | 182,780 | 172,018 | 342,216 |
| **Current portion** | 105,519 | 182,780 | 172,018 | 342,216 |
| After 1 year but within 2 years | 230,100 | 225,996 | 338,157 | 390,737 |
| After 2 years but within 5 years | 1,178,180 | 1,359,539 | 1,412,947 | 1,587,972 |
| Over 5 years | 450,504 | 451,302 | 468,410 | 97,000 |
| **Non-current portion** | 1,858,784 | 2,036,837 | 2,219,514 | 2,075,709 |
| **Total** | 1,964,303 | 2,219,617 | 2,391,532 | 2,417,925 |

Notes:

(i) As at December 31, 2020, 2021, 2022 and June 30, 2023, banking facilities of the Group totalling RMB1,900.0 million, RMB2,020.0 million, RMB3,225 million and RMB3,515 million respectively. They were utilized to the extent of RMB1,505.6 million, RMB1,894.5 million, RMB2,048 million and RMB2,073 million respectively.

(ii) The bank borrowings bear interest at fixed or floating interest rates. Their effective interest rates as at the December 31, 2020, 2021, 2022 and June 30, 2023 ranged from 4.20% to 5.88%, from 4.20% to 6.45%, from 4.2% to 6.45% and from 3.8% to 6.2%, respectively per annum. Floating interest rate is adopted with People's Bank of China's benchmark interest rate, or Loan Prime Rate.

(iii) Other borrowings from other financial institutions included RMB 54.4 million, RMB 55.5 million, RMB89.1 million and RMB86.0 million from Zhejiang Marine Leasing Co. Ltd. ("Zhejiang Marine") as at December 31, 2020, 2021, 2022 and June 30, 2023 respectively. Zhejiang Marine became the Group's related party in September 2020 upon becoming an associate of the Group's ultimate controlling shareholder, Concord Medical Services Holdings Limited.

The effective rates ranged from from 10.13% to 14.35%, from 7.5% to 10.1%, from 6.7% to 10.1%, and from 6.7% to 10.1% as at the December 31, 2020, 2021, 2022 and June 30, 2023. The borrowing are secured by certain of the Group's property, plant and equipment.

(iv) Other borrowings from other financial institutions included RMB272.1 million, RMB284.4 million, RMB281.3 million and RMB269.5 million from Medstar (Guangzhou) Medical Technology Services Ltd. ("Guangzhou Medstar") as at December 31, 2020, 2021, 2022 and June 30, 2023 respectively. Guangzhou Medstar has common controlling shareholder of the Group, Shanghai Medstar.

The effective rates ranged from 6.75% to 11.98%, from 6.75% to 11.98%, 6.75% to 11.98% and from 6.75% to 11.7% as at the December 31, 2020, 2021, 2022 and June 30, 2023. The borrowing are secured by certain of the Group's property, plant and equipment.

(v) The secured bank and other borrowings are secured by the assets of the Group, the carrying amounts of the assets are as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Right-of-use asset | 414,470 | 405,116 | 395,972 | 391,293 |
| Medical equipment | 136,797 | 113,724 | 184,360 | 161,202 |
| Trade receivables | 8,953 | – | 10,826 | 13,417 |
| Construction in progress | 1,380,557 | 1,682,320 | 1,788,134 | 1,828,604 |
| | 1,940,777 | 2,201,160 | 2,379,292 | 2,394,516 |

(vi) As at December 31, 2020, 2021, 2022 and June 30, 2023, certain bank borrowings totalling RMB1,352.9 million, RMB1,448.3 million, RMB1,081.7 million and RMB1,119.6 million respectively are secured by the issued share capital of the Group's subsidiaries, 80% of Guangzhou Concord Cancer Hospital, 100% of SHCC and 100% of Shanghai Concord Medical Diagnostic Imaging Limited and guaranteed by the Company.

(vii) As at December 31, 2020, 2021, 2022 and June 30, 2023, certain bank borrowings totalling RMB102.1 million, RMB119.7 million, RMB882.1 million and RMB882.9 million respectively are secured by the revenue of the Group's subsidiaries, Shanghai Concord Medical Diagnostic Imaging Limited and Shanghai Outpatient Center, amounted to RMB20 million, RMB38.7 million and RMB96.8 million and RMB33.4 million respectively.

(viii) As at December 31, 2020, 2021, 2022 and June 30, 2023, certain bank and other borrowings totalling RMB736.6 million, RMB911.5 million, RMB33.7 million and RMB35.8 million respectively are guaranteed by Dr. Yang Jianyu, a controlling shareholder and the chairman of the Board of Director of the Company (including the borrowings with security or guarantees provided by the Group).

## 28. ACQUISITION OF SUBSIDIARIES

Year ended December 31, 2020

In April 2020, the Group entered into an agreement with independent third parties for the acquisition of 70% equity interests in Guangzhou Concord (formerly named as Guangzhou New Spring Hospital Management Ltd.), a company whose principal activity is investment holding. The total consideration for the acquisition was RMB8,400,000. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

As a result of above acquisition, the Group was expected to increase its presence in medical treatment and service business. The goodwill of RMB2,613,000 arising from the acquisition was attributable to entering into the medical treatment and service business, the management team and management process which can be replicated in the future. None of the goodwill recognized is expected to be deductible for income tax purpose.

The fair value of identifiable assets acquired and liabilities assumed at the completion date of acquisition are as follows:

| | RMB'000 |
|---|---|
| Property, plant and equipment (Note 15) | 4,057 |
| Inventory | 280 |
| Trade receivables | 9 |
| Deposit, prepayment and other receivables | 499 |
| Deferred tax assets (Note 17) | – |
| Intangible assets (Note 16) | 5,053 |
| Right-of-use assets (Note 25) | 11,249 |
| Cash and cash equivalents | 64 |
| Accrual and other payables | (389) |
| Deferred tax liabilities (Note 17) | (1,250) |
| Contract liabilities (Note 6) | (56) |
| Lease liabilities (Note 25) | (11,249) |
| Net assets | 8,267 |
| Non-controlling interest | (2,480) |
| Net assets acquired | 5,787 |
| Goodwill (Note 16) | 2,613 |
| Fair value of consideration | 8,400 |
| Satisfied by Cash | 8,400 |

An analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary are as follow:

| | 2020 |
|---|---|
| | RMB'000 |
| Net cash outflow on acquisition: | |
| Purchase consideration settled in cash | (8,400) |
| Cash and cash equivalents acquired | 64 |
| | (8,336) |

The Group has elected to measure the non-controlling interest in Guangzhou Concord at acquisition-date at the non-controlling interest's proportionate share of Guangzhou Concord's net identifiable assets.

Since the acquisition date, Guangzhou Concord has contributed RMB572,000 and RMB3,998,000 to the Group's revenue and loss for the period. If the acquisition had occurred on January 1, 2020, the Group's revenue and loss would have been RMB172,935,000 and RMB589,709,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future performance.

## 29. DISPOSAL OF A SUBSIDIARY

In November 2021, the Company and Shenzhen Aohua entered into an agreement to transfer 100% interest of Beijing Century Friendship, a wholly-owned subsidiary of the Group which is 78.3% and 21.7% held by the Company and Shenzhen Aohua respectively, to Shanghai Medstar Financial Leasing Company Limited (醫學之星（上海）融資租賃有限公司), an intermediate holding company of the Company with consideration of RMB296.7 million. The purchase consideration shall be fully settled within one year. A gain on disposal of subsidiary of RMB 30.0 million was recognized in consolidated statements of profit or loss and other comprehensive loss for the year ended December 31, 2021.

| | RMB'000 |
|---|---|
| Consideration satisfied by: | |
| Cash consideration | 296,674 |
| Less: Net assets disposed of: | |
| Property, plant and equipment (Note 15) | 169,305 |
| Intangible assets (Note 16) | 304,730 |
| Right-of-use assets (Note 25) | 2,702 |
| Cash and cash equivalents | 4,233 |
| Prepayments, other receivables and other assets | 8,552 |
| Accruals and other payables | (26,062) |
| Lease liabilities (Note 25) | (2,826) |
| Deferred tax liabilities (Note 17) | (68,228) |
| Non-controlling interests | (125,759) |
| | 266,647 |
| Gain on disposal of a subsidiary (Note 7) | 30,027 |
| An analysis on net inflow of cash and cash equivalents in respect of disposal of subsidiaries is as follows： | |
| Cash consideration received | – |
| Less: Cash and cash equivalents disposed of | (4,233) |
| | (4,233) |

## 30. REDEEMABLE CAPITAL CONTRIBUTION

The analysis of the carrying amount of redeemable capital contributions is as follows:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Redeemable capital contributions | 2,882,260 | 3,625,843 | – | – |

From March to July 2018, the Company entered into two capital contribution agreements with certain investors, pursuant to which, these investors agreed to contribute RMB900,000,000 and RMB 600,000,000 (collectively referred as "Round A Investments") to acquire 22.5% and 15.0% of the then equity interest of the Company respectively.

In 2020, the Company entered into a capital contribution agreement with certain investor, pursuant to which, the investor agreed to invest RMB700,000,000 (referred as "Round B Investments") to acquire 12.73% of the then equity interest of the Company.

In 2021, the Company entered into a capital contribution agreement with certain investor, pursuant to which, the investor agreed to invest RMB400,000,000 (referred as "Round C Investments") to acquire 5.8 % of the then equity interest of the Company.

The holders of the Round A, Round B and Round C investment shares are entitled to the same voting rights and dividend rights as other equity holders of the Company. A summary of the special rights attributable to the Round A, Round B and Round C investments:

***Preferential right***

The Company shall buy back all, or portion of the Round A investments, Round B investments and Round C investment held by the holders at the option of the holders at any time upon certain events as follows:

(a) changes to the Group's beneficial controlling owners;

(b) all or substantially all of the Company's assets are sold, leased, assigned, exclusively licensed or otherwise disposed off.

The redemption price of the Round A investments, Round B investments and Round C investments shall equal to the aggregate of:

(a) the total actual consideration paid by the investors;

(b) an annual rate of return compounded at 11% beginning from the date of actual payments of the consideration from the investors to the redemption date, excluding any actual paid dividends during the equity holding period.

Pursuant to the capital contribution agreement signed in March 2018, the abovementioned preferential right was also granted to certain existing non-controlling interest shareholders of the Company. The capital contribution by those non-controlling interest shareholders were reclassified from equity to financial liability at fair value in March 2018 and are carried at amortized cost for subsequent periods.

At the date of share issuance, Round A investments, Round B investments and Round C investments are initially recognized at fair value and are carried at amortized cost for subsequent periods. Interest on Round A investments, Round B investments and Round C investments and the capital contribution by non-controlling interest shareholders is calculated using compounded interest method and recognized in the consolidated statements of profit or loss.

Pursuant to an agreement signed among the Group and the investors on May 19, 2022, all special rights under the Round A investments, Round B investments and Round C Investments were terminated upon the acceptance of application for the **[REDACTED]** to CSRC (ie. May 30, 2022). The redeemable capital contribution, being a financial liability, was extinguished and recognized in equity accordingly.

**31. SHARE CAPITAL**

(i) The Company was incorporated under the laws of the PRC with limited liability on July 23, 2008 with a registered share capital of USD5,000,000.

(ii) On June 30, 2015, as part of the Company's internal restructuring, the Company shares transfer from foreign shareholders to PRC shareholders. The registered share capital changed from USD5,000,000 to RMB35,000,000.

(iii) There was authorized and issued capital of RMB160,000,000 as at December 31, 2019, December 31, 2020 and December 31, 2021. There was authorized and issued capital of RMB648,723,000 and RMB676,918,000 as at December 31, 2022 and as at June 30, 2023 respectively.

(iv) Further details of the changes in the Company's share capital are set out in the section headed "History, Development and Corporate Structure" in the Document.

(v) Pursuant to the Company's shareholder's resolution and Amendment of Articles of Association in April 2022, the share capital of the Company increased from RMB160,000,000 (excluding redeemable capital contribution) to RMB484,361,000 divided into 484,361,000 shares of RMB1 each, by way of capitalization of capital reserves of the Company of RMB324,361,000 .

(vi) Pursuant to an agreement signed among the Group and the investors on May 19, 2022 stated in Note 30, the extinguishment of redeemable capital contribution resulted in increase of the share capital of the Company of RMB164,362,000.

(vii) Pursuant to an agreement signed among the Group and CSPC NBP Pharmaceutical Co., Ltd on June 8, 2023, the Company allotted and issued 28,195,000 shares to CSPC NBP Pharmaceutical Co., Ltd. at the consideration of RMB300,000,000.

## 32. RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, the Group entered into the following transactions with related parties:

**(a)** Name and relationship

| Name of related parties | Relationship with the Group |
|---|---|
| Concord Medical | Intermediate holding company of the Group |
| Our Medical Services Ltd. | A company controlled by Concord Medical |
| CCM (Hong Kong)Medical Investments Ltd. ("CCM (Hong Kong)") | A company controlled by Concord Medical |
| China Medical Service Holdings Ltd. | A company controlled by Concord Medical |
| Cyber Medical Network Limited | A company controlled by Concord Medical |
| Beijing Concord (北京泰和誠醫療技術有限公司) | Immediate holding company |
| Shanghai Medstar (醫學之星（上海）融資租賃有限公司) | Immediate holding company of the Group |
| Jinkang Shenyou (廣州金康腎友投資有限公司) | A company controlled by Shanghai Medstar (until December 2020) |
| Guangzhou Medstar (醫星（廣州）醫療技術服務有限公司) | A company controlled by Shanghai Medstar |
| Wuxi MJ (無錫美中嘉和腫瘤醫院有限公司) | A company controlled by Concord Medical |
| Beijing Century Friendship (北京世紀友好科技開發有限公司) | A company controlled by Concord Medical (since November 12, 2021) |
| Tianjin Jiatai Enterprise Management Center (Limited Partnership) (天津市嘉泰企業管理中心（有限合夥）) ("Tianjin Jiatai") | A company controlled by Concord Medical |
| Zhejiang Marine (浙江海洋租賃股份有限公司) | An associate of Concord Medical (since June 2020) |
| Zeng Zhaopeng (曾昭鵬) | Non-controlling shareholder of a subsidiary of the Group |
| Jiaxue (Shanghai) Medical Technology Service Co., Ltd. (嘉學（上海）醫療技術服務有限公司) ("Jiaxue Shanghai") | A company controlled by Concord Medical |
| Guangdong Proton International Hospital Management Co., Ltd. 廣東質子國際醫院管理有限公司 ("Guangdong Proton") | A subsidiary of an associate |
| BPMC (北京質子醫療中心有限公司) | A company controlled by Concord Medical (since November 12, 2021) |
| Wuxi Concord (無錫泰和誠醫學發展有限公司) | A company controlled by Concord Medical |
| Heze Meizhong Jiahe Cancer Center Co., Ltd. (菏澤美中嘉和醫院有限責任公司) ("Heze Meizhong") | A company controlled by Concord Medical |
| Shanghai Changshengshu Enterprise Management Co., Ltd (上海長生樹企業管理有限公司) ("SH CSS") | An associate |
| Guangzhou Yicheng Biological Immunity Technology Co., Ltd. (廣州逸誠生物免疫技術有限公司) | An associate |

**(b)** Related parties transactions

| | | As at December 31, | | | Six months ended June 30, | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2022 | 2023 |
| | Notes | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Shanghai Medstar (醫學之星（上海）融資租賃有限公司) | | | | | | |
| – Purchase of equipment | | 376,242 | 222,480 | 20,019 | 119 | – |
| – Interest expense on borrowing | | 2,810 | 2,402 | – | – | – |
| Guangzhou Medstar (醫星（廣州）醫療技術服務有限公司) | | | | | | |
| – Interest expense on borrowing | | 2,133 | 33,030 | 32,280 | 18,609 | 15,922 |
| Zhejiang Marine (浙江海洋租賃股份有限公司) | | | | | | |
| – Interest expense on borrowing | | 21,557 | 5,562 | 7,846 | 3,132 | 4,071 |
| Guangdong Proton (廣東質子國際醫院管理有限公司) | | | | | | |
| – Interest income on borrowing | | – | – | (6,961) | (3,410) | (3,493) |

**(c)** Related parties balances

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 Amount due from/(to) | RMB'000 Amount due from/(to) | RMB'000 Amount due from/(to) | RMB'000 Amount due from/(to) |
| Concord Medical | | | | |
| – Non-trade | (957) | (957) | – | – |
| Our Medical Services Ltd. | | | | |
| – Non-trade | (4,869) | (4,869) | – | – |
| CCM (Hong Kong) | | | | |
| – Non-trade | (648) | – | – | – |
| Beijing Concord (北京泰和誠醫療技術有限公司) | | | | |
| – Non-trade | (437) | – | – | (343) |
| Shanghai Medstar (醫學之星（上海）融資租賃有限公司) | | | | |
| – Trade | 427,831 | 200,545 | 57,890 | 58,203 |
| – Non-trade | 1,691 | 183,458 | (19,502) | (49,204) |
| Tianjin Jiatai (天津市嘉泰企業管理中心（有限合夥）) | | | | |
| – Non-trade | 4,106 | – | – | – |
| Guangzhou Medstar (醫星（廣州）醫療技術服務有限公司) | | | | |
| – Non-trade | (191,669) | (281,687) | (279,057) | (267,174) |
| Beijing Century Friendship (北京世紀友好科技開發有限公司) | | | | |
| – Non-trade | N/A | 5,516 | – | – |
| Jiaxue Shanghai (嘉學（上海）醫療技術服務有限公司) | | | | |
| – Non-trade | – | (20,000) | – | – |
| Guangdong Proton (廣東質子國際醫院管理有限公司) | | | | |
| – Non-trade | – | 117,337 | 137,621 | 143,580 |
| Zhejiang Marine (浙江海洋租賃股份有限公司) | | | | |
| – Non-trade | (54,356) | (55,474) | (89,134) | (86,693) |
| Zeng Zhaopeng (曾昭鵬) | | | | |
| – Non-trade | (257) | (258) | – | – |
| Shanghai Changshengshu Enterprise Management Co., Ltd. (上海長生樹企業管理有限公司) | | | | |
| – Non-trade | N/A | N/A | (2,000) | (2,000) |
| Guangzhou Yicheng Biological Immunity Technology Co., Ltd. (廣州逸誠生物免疫技術有限公司) | | | | |
| – Non-trade | N/A | N/A | (300) | (300) |

The maximum balance outstanding of amounts due from related parties:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| CCM (Hong Kong) | 12,196 | – | – | – |
| Concord Medical | – | 29,099 | – | – |
| Beijing Century Friendship (北京世紀友好科技開發有限公司) | – | 16,741 | 191,853 | – |
| Beijing Concord (北京泰和誠醫療技術有限公司) | 8,714 | 96 | – | – |
| Shanghai Medstar (醫學之星（上海）融資租賃有限公司) | 579,202 | 433,698 | 664,541 | 93,422 |
| Tianjin Jiatai (天津市嘉泰企業管理中心（有限合夥）) | 10,200 | 5,100 | – | – |
| Wuxi MJ (無錫美中嘉和腫瘤醫院有限公司) | 5,243 | – | – | – |
| Heze Meizhong (菏澤美中嘉和醫院有限責任公司) | 40 | – | – | – |
| BPMC (北京質子醫療中心有限公司) | – | 96,450 | – | – |
| Guangdong Proton (廣東質子國際醫院管理有限公司) | – | 145,692 | 169,453 | 169,453 |

Note:

a) The English names of all related parties established in the PRC are translated for identification purpose only.

b) The outstanding balances of non-trade nature are interest free, unsecured, repayable on demand and will be settled prior the **[REDACTED]**. There is no guarantee being given or received regarding the above-mentioned related party transactions.

c) The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in notes 13(a) and 13(b) respectively.

d) Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during the Track Record Period or at the end of each financial year during the Track Record Period

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Amounts due to related parties | Bank and other borrowings | Redeemable capital contribution | Lease liabilities | Convertible bond | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 (Note 27) | RMB'000 (Note 30) | RMB'000 (Note 25) | RMB'000 (Note 26) | RMB'000 |
| **As at January 1, 2020** | 175,387 | 1,117,165 | 1,909,606 | 191,449 | – | 3,393,607 |
| **Changes from financing cash flows:** | | | | | | |
| Proceeds from bank and other borrowings | – | 765,696 | – | – | – | 765,696 |
| Payment of lease liabilities | – | – | – | (8,650) | – | (8,650) |
| Repayment of bank and other borrowings | – | (55,606) | – | – | – | (55,606) |
| Repayment to related parties | (135,975) | – | – | – | – | (135,975) |
| Proceeds from issuance of redeemable capital contribution | – | – | 700,000 | – | – | 700,000 |
| Interest paid | – | (94,871) | – | (7,897) | – | (102,768) |
| **Total changes from financing cash flows** | (135,975) | 615,219 | 700,000 | (16,547) | – | 1,162,697 |
| **Non-cash changes:** | | | | | | |
| Acquired through acquisition of subsidiary | – | – | – | 11,249 | – | 11,249 |
| Exchange gain | – | (1,978) | – | – | – | (1,978) |
| Amount due from a related party | – | 131,254 | – | – | – | 131,254 |
| Interest expense | – | 35,360 | 272,654 | 15,459 | – | 323,473 |
| Recognition of lease liabilities | – | – | – | 8,350 | – | 8,350 |
| Termination of lease | – | – | – | (3,142) | – | (3,142) |
| Interest expense capitalised | – | 67,283 | – | – | – | 67,283 |
| Rent concessions | – | – | – | (1,880) | – | (1,880) |
| **Total non-cash changes** | – | 231,919 | 272,654 | 30,036 | – | 534,609 |
| **As at December 31, 2020 and January 1, 2021** | 39,412 | 1,964,303 | 2,882,260 | 204,938 | – | 5,090,913 |
| **Changes from financing cash flows:** | | | | | | |
| Proceeds from bank and other borrowings | – | 325,686 | – | – | – | 325,686 |
| Payment of lease liabilities | – | – | – | (18,288) | – | (18,288) |
| Repayment of bank and other borrowings | – | (105,339) | – | – | – | (105,339) |
| Advance from related parties | 4,925 | – | – | – | – | 4,925 |
| Proceeds from issuance of redeemable capital contribution | – | – | 400,000 | – | – | 400,000 |
| Proceeds from issuance of convertible bond | – | – | – | – | 20,000 | 20,000 |
| Interest paid | – | (109,870) | – | (8,771) | – | (118,641) |
| **Total changes from financing cash flows** | 4,925 | 110,477 | 400,000 | (27,059) | 20,000 | 508,343 |
| **Non-cash changes:** | | | | | | |
| Acquired through acquisition of subsidiary | – | – | – | 5,224 | – | 5,224 |
| Eliminated on disposal of subsidiary | – | – | – | (2,826) | – | (2,826) |
| Interest expense | – | 75,804 | 343,583 | 15,859 | 65 | 435,311 |
| Interest expense capitalised | – | 69,033 | – | – | – | 69,033 |
| Recognition of lease liabilities | – | – | – | 9,194 | – | 9,194 |
| Termination of lease | – | – | – | (173) | – | (173) |
| Effect of lease modification | – | – | – | (6,623) | – | (6,623) |
| Change in fair value | – | – | – | – | 64 | 64 |
| **Total non-cash changes** | – | 144,837 | 343,583 | 20,655 | 129 | 509,204 |
| **As at December 31, 2021 and January 1 2022** | 44,337 | 2,219,617 | 3,625,843 | 198,534 | 20,129 | 6,108,460 |

| | Amounts due to related parties | Bank and other borrowings | Redeemable capital contribution | Lease liabilities | Convertible bond | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 (Note 27) | RMB'000 (Note 30) | RMB'000 (Note 25) | RMB'000 (Note 26) | RMB'000 |
| **As at December 31, 2021 and January 1, 2022** | 44,337 | 2,219,617 | 3,625,843 | 198,534 | 20,129 | 6,108,460 |
| **Changes from financing cash flows:** | | | | | | |
| Proceeds from bank and other borrowings | – | 243,149 | – | – | – | 243,149 |
| Payments of lease liabilities | – | – | – | (6,519) | – | (6,519) |
| Repayment of bank and other borrowings | – | (92,341) | – | – | – | (92,341) |
| Advance from related parties | 194,447 | – | – | – | – | 194,447 |
| Interest paid | – | (134,248) | – | (3,131) | – | (137,379) |
| **Total changes from financing cash flows** | 194,447 | 16,560 | – | (9,650) | – | 201,357 |
| **Non-cash changes:** | | | | | | |
| Interest expense | – | 94,865 | 163,908 | 14,752 | 950 | 274,475 |
| Interest expense capitalized | – | 60,490 | – | – | – | 60,490 |
| Recognition of lease liabilities | – | – | – | 7,168 | – | 7,168 |
| Termination of lease | – | – | – | (2,705) | – | (2,705) |
| Effect of lease modification | – | – | – | (5,792) | – | (5,792) |
| Capitalization of redeemable capital contribution | – | – | (3,789,751) | – | – | (3,789,751) |
| Change in fair value | – | – | – | – | (763) | (763) |
| **Total non-cash changes** | – | 155,355 | (3,625,843) | 13,423 | 187 | (3,456,878) |
| **As at December 31, 2022 and January 1, 2023** | 238,784 | 2,391,532 | – | 202,307 | 20,316 | 2,852,939 |
| **Changes from financing cash flows:** | | | | | | |
| Proceeds from bank and other borrowings | – | 107,325 | – | – | – | 107,325 |
| Payments of lease liabilities | – | – | – | (5,010) | – | (5,010) |
| Repayment of bank and other borrowings | – | (82,423) | – | – | – | (82,423) |
| Advance from related parties | 29,732 | – | – | – | – | 29,732 |
| Interest paid | – | (75,689) | – | (3,183) | – | (78,872) |
| **Total changes from financing cash flows** | 29,732 | (50,787) | – | (8,193) | – | (29,248) |
| **Non-cash changes:** | | | | | | |
| Interest expense | – | 47,266 | – | 7,116 | 477 | 54,859 |
| Interest expense capitalized | – | 29,914 | – | – | – | 29,914 |
| Recognition of lease liabilities | – | – | – | 14,819 | – | 14,819 |
| Termination of lease | – | – | – | (936) | – | (936) |
| Change in fair value | – | – | – | – | (767) | (767) |
| **Total non-cash changes** | – | 77,180 | – | 20,999 | (290) | 97,889 |
| **As at June 30, 2023** | 268,516 | 2,417,925 | – | 215,113 | 20,026 | 2,921,580 |
| **As at January 1, 2022** | 44,337 | 2,219,617 | 3,625,843 | 198,534 | 20,129 | 6,108,460 |
| **Changes from financing cash flows:** | | | | | | |
| Proceeds from bank and other borrowings | – | 209,300 | – | – | – | 209,300 |
| Payments of lease liabilities | – | – | – | (3,183) | – | (3,183) |
| Repayment of bank and other borrowings | – | (29,454) | – | – | – | (29,454) |
| Advance from related parties | 14,153 | – | – | – | – | 14,153 |
| Interest paid | – | (61,345) | – | (1,508) | – | (62,853) |
| **Total changes from financing cash flows** | 14,153 | 118,501 | – | (4,691) | – | 127,963 |

| | Amounts due to related parties | Bank and other borrowings | Redeemable capital contribution | Lease liabilities | Convertible bond | Total |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 (Note 27) | RMB'000 (Note 30) | RMB'000 (Note 25) | RMB'000 (Note 26) | RMB'000 |
| **Non-cash changes:** | | | | | | |
| Interest expense | – | 50,594 | 163,908 | 7,484 | 471 | 222,457 |
| Interest expense capitalized | – | 29,450 | – | – | – | 29,450 |
| Recognition of lease liabilities | – | – | – | 4,448 | – | 4,448 |
| Effect of lease modification | – | – | – | (2,435) | – | (2,435) |
| Capitalization of redeemable capital contribution | – | – | (3,789,751) | – | – | (3,789,751) |
| Change in fair value | – | – | – | – | 20 | 20 |
| **Total non-cash changes** | – | 80,044 | (3,625,843) | 9,497 | 491 | (3,535,811) |
| **As at June 30, 2022 (Unaudited)** | 58,490 | 2,418,162 | – | 203,340 | 20,620 | 2,700,612 |

## 34. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Capital expenditure of the Group authorized and contracted for at the end of the reporting period but not recognized as liabilities: | | | | |
| – Acquisition of property, plant and equipment | 142,212 | 62,942 | 20,937 | 15,107 |
| – Capital injection in an associate | – | 260,099 | 260,099 | 260,099 |

### CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the fatality of one patient was due to the faults of physicians at Shanghai Outpatient Center. The directors are of the view that the outcome of the legal proceeding is uncertain, and the amount of the obligation cannot be measured with sufficient reliability, no provision has therefore been made in respect of this claim.

Another subsidiary of the Group is currently a defendant in a lawsuit brought by its subcontractor alleging the subsidiary failed to perform the project payment obligation stipulated in the contract. The directors are of the view that based on the construction valuation, the amount of the total construction contract sum is lower than the amount claimed by subcontractor and the payment obligation has already been fully settled, and hence the subsidiary has applied to court that the subsidiary has already settled the payment and has no further payment obligation. The directors are of the view that the outcome of the legal proceeding is uncertain, and the amount of the obligation cannot be measured with sufficient reliability, no provision has therefore been made in respect of this claim.

Save as disclosed above, there has no material contingent liability and hence no provision been made.

See "Business—Legal Proceedings and Compliance—Legal Proceedings" of this document.

## 35. NON-CONTROLLING INTEREST

Details of particular of material non-controlling interest are as follows:

| | Ownership interest held by non-controlling interests | | | |
|---|---|---|---|---|
| | As at December 31, | | | As at June 30 |
| **Name of subsidiary** | 2020 | 2021 | 2022 | 2023 |
| Beijing Proton Medical Center Co., Ltd ("BPMC") (北京質子醫療中心有限公司 | 45% | N/A | N/A | N/A |
| SHMDI | 10.90% | 57.8% | 57.8% | 57.8% |

BPMC, a 75% owned subsidiary of the Company through Beijing Century Friendship, has material non-controlling interests (NCI) for the years ended December 31, 2020. As disclosed in note 29, in November 2021, the Company and Shenzhen Aohua entered into an agreement to transfer 100% interest of Beijing Century Friendship, a wholly-owned subsidiary of the Group which is 78.3% and 21.7% held by the Company and Shenzhen Aohua respectively, to Shanghai Medstar with consideration of RMB296.7 million. Non-controlling interest of BPMC was derecognized upon the disposal.

Summarized financial information in relation to the NCI of BPMC, before intra-group eliminations, is presented below:

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Revenue | – | N/A | N/A | N/A | N/A |
| Post-tax loss | (907) | N/A | N/A | N/A | N/A |
| Total comprehensive income | (907) | N/A | N/A | N/A | N/A |
| Loss allocated to NCI | (408) | N/A | N/A | N/A | N/A |
| Cash flows from operating activities | 31,529 | N/A | N/A | N/A | N/A |
| Cash flows from investing activities | (31,181) | N/A | N/A | N/A | N/A |
| Cash flows from financing activities | – | N/A | N/A | N/A | N/A |
| Net cash outflows | 348 | N/A | N/A | N/A | N/A |

| | As at December 31, | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Current assets | 5,817 | N/A | N/A | N/A |
| Non-current assets | 420,462 | N/A | N/A | N/A |
| Current liabilities | (77,634) | N/A | N/A | N/A |
| Non-current liabilities | (68,228) | N/A | N/A | N/A |
| Net assets | 280,417 | N/A | N/A | N/A |
| Accumulated non-controlling interests | 126,188 | N/A | N/A | N/A |

As disclosed in note 3.1, in August 2021, the Company acquired SHMDI under business combination under common control, and has applied merger accounting to account for the acquisition of SHMDI. The Group has included the operating results of SHMDI since November 2019, and has material non-controlling interests (NCI) for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023.

Summarized financial information in relation to the NCI of SHMDI, before intra-group eliminations, is presented below:

| | Year ended December 31, | | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (Unaudited) | RMB'000 |
| Revenue | 20,248 | 40,315 | 32,049 | 8,674 | 33,458 |
| Post-tax loss | (50,898) | (39,450) | (47,849) | (27,678) | (17,021) |
| Total comprehensive income | (50,898) | (39,450) | (47,849) | (27,678) | (17,021) |
| Loss allocated to NCI | (5,960) | (15,470) | (27,724) | (15,994) | (8,942) |
| Cash flows from operating activities | (14,431) | (1,187) | 1,807 | (567) | (5,065) |
| Cash flows from investing activities | 1,000 | (2,915) | (20,023) | (938) | (3,921) |
| Cash flows from financing activities | (4,530) | 20,875 | 16,120 | (3,431) | (2,411) |
| Net cash inflows/(outflows) | (17,961) | 16,773 | (2,096) | (4,936) | (1,267) |

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Current assets | 8,262 | 14,207 | 11,240 | 13,657 |
| Non-current assets | 332,792 | 308,954 | 319,403 | 309,051 |
| Current liabilities | (74,422) | (95,013) | (104,530) | (113,858) |
| Non-current liabilities | (244,057) | (244,734) | (242,617) | (237,967) |
| Net assets/(liabilities) | 22,575 | (16,586) | (16,504) | (29,117) |
| Accumulated non-controlling interests | 1,306 | (12,717) | (40,274) | (29,510) |

## 36. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance, as well as to meet the requirements of the financial covenants.

The directors of the Company review the capital structure on a continuous basis taking into account the loss of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Current liabilities** | | | | |
| Trade payables | 17,703 | 101,247 | 145,858 | 128,666 |
| Accruals and other payables | 169,988 | 259,365 | 244,729 | 224,242 |
| Income tax payable | 2,856 | 2,525 | 2,498 | 2,466 |
| Contract liabilities | 85,276 | 55,114 | 97,281 | 82,511 |
| Amounts due to related parties | 39,412 | 44,337 | 238,784 | 268,516 |
| Lease liabilities | 9,236 | 11,972 | 14,633 | 23,475 |
| Bank and other borrowings | 105,519 | 182,780 | 172,018 | 342,216 |
| Convertible bond | – | 20,129 | 20,316 | 20,026 |
| | 429,990 | 677,469 | 936,117 | 1,092,118 |
| **Non-current liabilities** | | | | |
| Lease liabilities | 195,702 | 186,562 | 187,674 | 191,638 |
| Bank and other borrowings | 1,858,784 | 2,036,837 | 2,219,514 | 2,075,709 |
| Deferred tax liabilities | 130,142 | 77,192 | 72,641 | 70,365 |
| | 2,184,628 | 2,300,591 | 2,479,829 | 2,337,712 |
| **Total debt** | 2,614,618 | 2,978,060 | 3,415,946 | 3,429,830 |
| Less: Cash and cash equivalents | (424,832) | (136,085) | (126,496) | (257,310) |
| Net debt | 2,189,786 | 2,841,975 | 3,289,450 | 3,172,520 |
| Total Equity | (517,852) | (1,156,950) | 1,995,579 | 2,081,322 |
| **Capital and net debt** | 1,671,934 | 1,685,025 | 5,285,029 | 5,253,842 |

## 37. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The following table shows the carrying amount of financial assets and liabilities:

| | As at December 31, | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Financial assets at amortized cost:** | | | | |
| Trade receivables | 57,182 | 137,433 | 109,347 | 84,509 |
| Deposits and other receivables | 57,732 | 44,954 | 26,789 | 27,007 |
| Amounts due from related parties | 93,506 | 289,622 | 139,853 | 145,937 |
| Cash and cash equivalents | 424,832 | 136,085 | 126,496 | 257,310 |
| | 633,252 | 608,094 | 402,485 | 514,763 |
| **Financial liabilities at amortized cost:** | | | | |
| Trade payables | 17,703 | 101,247 | 145,858 | 128,666 |
| Accruals and other payables | 157,022 | 245,075 | 232,472 | 214,847 |
| Amounts due to related parties | 39,412 | 44,337 | 238,784 | 268,516 |
| Lease liabilities | 204,938 | 198,534 | 202,307 | 215,113 |
| Bank and other borrowings | 1,964,303 | 2,219,617 | 2,391,532 | 2,417,925 |
| Convertible bond — liability component | – | 15,756 | 16,706 | 17,183 |
| Redeemable capital contribution | 2,882,260 | 3,625,843 | – | – |
| | 5,265,638 | 6,450,409 | 3,227,659 | 3,262,250 |
| **Financial liabilities at fair value through profit/loss** | | | | |
| Convertible bond — embedded derivatives component | – | 4,373 | 3,610 | 2,843 |
| | 5,265,638 | 6,454,782 | 3,231,269 | 3,265,093 |

**(b) Financial risk management objectives and policies**

The Group's major financial instruments include trade receivables, deposits and other receivables, amounts due from/(to) related parties, restricted cash, cash and cash equivalents, trade payables, accruals and other payables, and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group has no significant interest — bearing assets other than bank deposits. Bank balances at floating rates expose the Group to cash flow interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to bank balances which bear floating interest rates. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

The Group's interest-rate risk mainly arises from bank and other borrowings as disclosed in Note 27. Certain bank and other borrowings were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group also has cash flow interest-rate risk arised from borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's lease liabilities, bank and other borrowings and convertible bond are disclosed in Notes 25, 27 and 26 to the financial statements.

At December 31, 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and would have decreased/increased total equity by approximately RMB12,688,000, in response to the general increase/decrease in interest rates.

At December 31, 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and would have decreased/increased total equity by approximately RMB17,513,000, in response to the general increase/decrease in interest rates.

At December 31, 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and would have decreased/increased total equity by approximately RMB18,793,000, in response to the general increase/decrease in interest rates.

At June 30, 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after taxation and would have decreased/increased total equity by approximately RMB8,144,000, in response to the general increase/decrease in interest rates.

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting date.

(ii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, amounts due from related parties, and cash deposits at banks. 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, cash deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside the PRC. There has been no recent history of default in relation to these financial institutions.

The Group's trade receivable are mainly from providing medical service to patients as well as providing services to the radiotherapy centers and trustee hospitals. The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor's portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organizations may take one to twelve months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations' policy, provided fulfilling all ethics and moral responsibilities as a healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimize the credit risk.

For other receivables and amount due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment.

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:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on the other financial instruments of the borrower
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31, 2020, 2021, 2022 and June 30, 2023.

The amounts presented are gross carrying amounts for financial assets.

**As at December 31, 2020**

| | 12 –month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables* | – | – | – | 62,230 | 62,230 |
| Deposits and other receivables** | 34,516 | 518 | 3,653 | – | 38,687 |
| Amounts due from related parties** | 147,873 | – | – | – | 147,873 |
| Cash and cash equivalent | 424,832 | – | – | – | 424,832 |
| | 607,221 | 518 | 3,653 | 62,230 | 673,622 |

**As at December 31, 2021**

| | 12 –month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables* | – | – | – | 142,040 | 142,040 |
| Deposits and other receivables** | 18,291 | 4,907 | 3,865 | – | 27,063 |
| Amounts due from related parties** | 87,260 | 299,581 | 2,533 | – | 389,374 |
| Cash and cash equivalent | 136,085 | – | – | – | 136,085 |
| | 241,636 | 304,488 | 6,398 | 142,040 | 694,562 |

**As at December 31, 2022**

| | 12 –month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables* | – | – | – | 133,601 | 133,601 |
| Deposits and other receivables** | 31,348 | 1,714 | 665 | – | 33,727 |
| Amounts due from related parties** | 172,210 | – | – | – | 172,210 |
| Cash and cash equivalent | 126,496 | – | – | – | 126,496 |
| | 330,054 | 1,714 | 665 | 133,601 | 466,034 |

**As at June 30, 2023**

| | 12 –month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables* | – | – | – | 105,860 | 105,860 |
| Deposits and other receivables** | 32,377 | 54 | 798 | – | 33,229 |
| Amounts due from related parties** | 175,784 | – | – | – | 175,784 |
| Cash and cash equivalent | 257,310 | – | – | – | 257,310 |
| | 465,471 | 54 | 798 | 105,860 | 572,183 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** Deposits and other receivables and amounts due from related parties is considered to be "stage 1" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Therefore, a loss allowance at an amount equal to 12-month ECL is recognised for these financial assets. Otherwise, the financial assets is considered to be "stage 2" or "stage 3", lifetime ECL is recognised.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group.

Movement in the loss allowance account in respect of other receivables and amount due from related parties during the track record period is as follows:

| Loss allowances | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | 12 months ECLs | Lifetime ECL, non–credit impaired | Lifetime ECL, credit–impaired | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Balance as at January 1, 2020** | 14,722 | 649 | 285 | 15,656 |
| Transfer from stage 1 to stage 2 | (3,506) | 3,506 | – | – |
| Transfer from stage 2 to stage 3 | – | (3,403) | 3,403 | – |
| Derecognition or repaid | (3,573) | (649) | (35) | (4,257) |
| New financial assets | 28,971 | – | – | 28,971 |
| **Balance as at December 31, 2020 and January 1, 2021** | 36,614 | 103 | 3,653 | 40,370 |
| Transfer from stage 1 to stage 2 | (62,350) | 62,350 | – | – |
| Transfer from stage 2 to stage 3 | – | (3,183) | 3,183 | – |
| Derecognition or repaid | (26,563) | (7) | (438) | (27,008) |
| New financial assets | 73,106 | – | – | 73,106 |
| **Balance as at December 31, 2021 and January 1, 2022** | 20,807 | 59,263 | 6,398 | 86,468 |
| Transfer from stage 1 to stage 2 | (662) | 662 | – | – |
| Transfer from stage 2 to stage 3 | – | (604) | 604 | – |
| Derecognition or repaid | (19,899) | (58,992) | (804) | (79,695) |
| New financial assets | 38,055 | – | – | 38,055 |
| Write-offs | – | – | (5,533) | (5,533) |
| **Balance as at December 31, 2022 and January 1, 2023** | 38,301 | 329 | 665 | 39,295 |
| Transfer from stage 1 to stage 2 | (134) | 134 | – | – |
| Transfer from stage 2 to stage 3 | – | (133) | 133 | – |
| Derecognition or repaid | (648) | – | – | (648) |
| New financial assets | 1,013 | – | – | 1,013 |
| Changes in PDs/LGDs | (3,270) | (321) | – | (3,591) |
| **Balance as at June 30, 2023** | 35,262 | 9 | 798 | 36,069 |

(iii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements, as well as compliance with financial covenants. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

| | Carrying amount | Within one year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total contractual undiscounted cash flows |
|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **As at December 31, 2020** | | | | | | |
| Trade and other payables | 174,725 | 174,725 | – | – | – | 174,725 |
| Amounts due to related parties | 39,412 | 39,412 | – | – | – | 39,412 |
| Lease liabilities | 204,938 | 24,444 | 24,291 | 24,018 | 280,960 | 353,713 |
| Redeemable capital contribution | 2,882,260 | 2,882,260 | – | – | – | 2,882,260 |
| Bank and other borrowings | 1,964,303 | 114,177 | 171,258 | 1,243,075 | 783,117 | 2,311,627 |
| | 5,265,638 | 3,235,018 | 195,549 | 1,267,093 | 1,064,077 | 5,761,737 |
| **As at December 31, 2021** | | | | | | |
| Trade and other payables | 346,322 | 346,322 | – | – | – | 346,322 |
| Amounts due to related parties | 44,337 | 44,337 | – | – | – | 44,337 |
| Lease liabilities | 198,534 | 26,471 | 24,062 | 22,535 | 258,425 | 331,493 |
| Redeemable capital contribution | 3,625,843 | 3,625,843 | – | – | – | 3,625,843 |
| Convertible bond | 15,756 | – | – | 24,750 | – | 24,750 |
| Bank and other borrowings | 2,219,617 | 201,991 | 244,561 | 1,455,647 | 452,693 | 2,354,892 |
| | 6,450,409 | 4,244,964 | 268,623 | 1,502,932 | 711,118 | 6,727,637 |
| **As at December 31, 2022** | | | | | | |
| Trade and other payables | 378,330 | 378,330 | – | – | – | 378,330 |
| Amounts due to related parties | 238,784 | 238,784 | – | – | – | 238,784 |
| Lease liabilities | 202,307 | 27,202 | 26,642 | 24,066 | 237,930 | 315,840 |
| Convertible bond | 16,706 | – | – | 24,750 | – | 24,750 |
| Bank and other borrowings | 2,391,532 | 182,833 | 358,171 | 1,419,736 | 534,000 | 2,494,740 |
| | 3,227,659 | 827,149 | 384,813 | 1,468,552 | 771,930 | 3,452,444 |
| **As at June 30, 2023** | | | | | | |
| Trade and other payables | 343,513 | 343,513 | - | - | - | 343,513 |
| Amounts due to related parties | 268,516 | 268,516 | - | - | - | 268,516 |
| Lease liabilities | 215,113 | 33,066 | 29,279 | 27,621 | 233,215 | 323,181 |
| Convertible bond | 17,183 | - | - | 24,750 | - | 24,750 |
| Bank and other borrowings | 2,417,925 | 356,003 | 410,941 | 1,594,179 | 137,000 | 2,498,123 |
| | 3,262,250 | 1,001,098 | 440,220 | 1,646,550 | 370,215 | 3,458,083 |

(iv) Currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(v) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, deposits and other receivables, amounts due to related parties, trade payables, accruals and other payables, redeemable capital contribution, convertible bond – liability component, and bank and other borrowings.

Due to their short term nature, the fair values of cash and cash equivalents, trade receivables, deposits and other receivables, amounts due to related parties, trade payables, accruals and other payables, redeemable capital contribution, convertible bond liability component, and bank and other borrowings approximate their carrying values.

(vi) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market prices.

There was no change in valuation techniques during the Track Record Period.

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

| | At December 31, 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Financial liabilities** | | | | |
| Convertible bonds — Embedded derivatives component | – | – | 4,373 | 4,373 |

| | At December 31, 2022 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Financial liabilities** | | | | |
| Convertible bonds — Embedded derivatives component | – | – | 3,610 | 3,610 |

| | At June 30, 2023 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| **Financial liabilities** | | | | |
| Convertible bonds — Embedded derivatives component | – | – | 2,843 | 2,843 |

During the Track Record Period, there were no transfers between Level 1 and Level 2 fair value hierarchy, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Embedded derivative component of the convertible bond is stated at their fair value, which are determined by reference to the valuation in accordance with generally accepted valuation methodologies. The valuation techniques and inputs used in the fair value measurements within Level 3 is as follows:

| Financial liabilities | December 31, 2020 RMB'000 | December 31, 2021 RMB'000 | December 31, 2022 RMB'000 | June 30, 2023 RMB'000 | Fair value hierarchy | Valuation techniques | Significant unobservable inputs | Range | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|---|---|
| Derivative financial liabilities classified as FVTPL –convertible bonds | – | 4,373 | 3,610 | 2,843 | Level 3 | Binominal pricing model | Risk-free interest rate | 2.52%-2.60% | The higher the interest rate, the lower the fair value |
| | | | | | | | Volatility | 46.00-52.00% | The higher the volatility, the higher the fair value |
| | | | | | | | Stock Price | 12.4 | The higher the stock price, the higher the fair value |

The sensitivity analysis on changes in fair value of the embedded derivative component of convertible bond is as follows:

A 0.5% increase/decrease in risk-free interest rate while all other variables keep constant, would decrease/increase the carrying amount as at December 31, 2021, 2022 and June 30, 2023 by RMB257,000/RMB268,000 and RMB135,000/RMB246,000 and RMB205,000/RMB494,000 respectively.

A 5% increase/decrease in volatility while all other variables keep constant, would increase/decrease the carrying amount as at December 31, 2021, 2022 and June 30, 2023 by RMB476,000/RMB582,000, RMB409,000/RMB534,000 and RMB370,000/RMB105,000 respectively.

A 5% increase/decrease in stock price while all other variables keep constant, would increase/decrease the carry amount as at December 31, 2021, 2022 and June 30, 2023 by RMB457,000/RMB585,000, RMB403,000/RMB555,000 and RMB449,000/RMB130,000 respectively.

The movements in fair value measurements within Level 3 during the period/year are as follows:

| | Year ended December 31, | | | Six months ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At January 1, | – | – | 4,373 | 3,610 |
| Additions (Note 26) | – | 4,309 | – | – |
| Change in fair value of embedded derivatives | – | 64 | (763) | (767) |
| At December 31/June 30 | – | 4,373 | 3,610 | 2,843 |

## 38. NOTE TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

### (i) Deposit, prepayments and other receivables

| | As at 31 December | | | As at June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Non-current assets** | | | | |
| Deposits | 1,204 | 7,084 | 976 | 998 |
| **Current assets** | | | | |
| Prepayment | 8,885 | 61,825 | 38,170 | 42,860 |
| Deposits | 27 | 1,002 | 835 | 853 |
| Advance to employees | 721 | 977 | 868 | 747 |
| Other receivables | 474 | 584 | 328 | 488 |
| Amounts due from subsidiaries | 594,788 | 832,606 | 801,119 | 1,015,833 |
| | 604,895 | 896,994 | 841,320 | 1,060,781 |

The amount due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

**(ii) Amounts due from/to related parties**

| | As at December 31 | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Amount due from related parties** | | | | |
| – Trade | – | 202,926 | 60,724 | 60,724 |
| – Non-trade | 34,681 | 49,074 | 329,824 | 335,782 |
| | 34,681 | 252,000 | 390,548 | 396,506 |
| **Amount due to related parties** | | | | |
| – Non-trade | 338 | 20 | 222,428 | 252,474 |

The balances mainly represent the amounts due from/ to related parties which are unsecured, interest-free and repayable on demand.

**(iii) Investment in subsidiaries**

As at 31 December 2020, 2021, 2022 and June 30, 2023, investment in subsidiaries are stated at cost net of impairment loss of approximately RMB1,967,995,000, RMB1,926,022,000, RMB1,926,017,000 and RMB1,925,489,000 respectively. Particulars of the principal subsidiaries of the Company are set out in note 1.

**(iv) Bank and other borrowings**

| | As at December 31 | | | As at June 30 |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Current** | | | | |
| Secured bank loan | – | 10,000 | 10,000 | 59,925 |
| Secured other borrowings from a related party | – | – | – | – |
| Secured other borrowings | – | – | – | – |
| **Current portion of non-current** | | | | |
| Secured other borrowings | – | 3,322 | 3,333 | 3,333 |
| **Non-current** | | | | |
| Secured other borrowings | – | 6,678 | 3,333 | 1,667 |
| **Total bank and other borrowings were scheduled to repay as follows:** | | | | |
| Within 1 year | – | 13,322 | 13,333 | 63,258 |
| **Current portion** | – | 13,322 | 13,333 | 63,258 |
| After one year but within 2 years | – | 3,345 | 3,333 | 1,667 |
| After 2 years but within 5 years | – | 3,333 | – | – |
| **Non-current portion** | – | 6,678 | 3,333 | 1,667 |
| **Total** | – | 20,000 | 16,666 | 64,925 |

## 39. EVENTS AFTER THE END OF TRACK RECORD PERIOD

On September 11, 2023, the Group and CSPC NBP Pharmaceutical CO., Ltd. ("CSPC NBP"), one of the Group's shareholders, had entered a joint venture agreement to jointly establish a joint venture, namely Hebei CSPC Concord Hospital Management Co., Ltd., which is held as to 51% by the Group and 49% by CSPC NBP, for the purpose of building an oncology specialty hospital in Shijiazhuang, Hebei province. The maximum amount of capital contribution to be made by the Group to the joint venture pursuant to the joint venture agreement is RMB255,000,000.

## 40. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to June 30, 2023.

*The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth 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 Accountants' Report set forth in Appendix I to this document.*

## (A) UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** financial information prepared in accordance with paragraph 4.29 of the Main Board Listing Rules and Accounting Guideline 7 "Preparation of **[REDACTED]** Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group as at June 30, 2023 as if the **[REDACTED]** had taken place on June 30, 2023. Because of its hypothetical nature, the unaudited **[REDACTED]** financial information may not give a true picture of the financial position of our Group had the **[REDACTED]** been completed on June 30, 2023 or at any future dates.

| | Consolidated net tangible assets of the Group as at June 30, 2023 | Estimated [REDACTED] from the issue of New Shares pursuant to the [REDACTED] | Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group | Unaudited [REDACTED] adjusted consolidated net tangible assets per Share | Unaudited [REDACTED] adjusted consolidated net tangible assets per Share |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *HK$* |
| | *(Note 1)* | *(Note 2)* | | *(Note 3)* | *(Note 4)* |
| Based on **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** . . . | 1,364,974 | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Based on **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** . . . | 1,364,974 | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |

*Notes:*

1. The consolidated net tangible assets of the Group attributable to the owners of the Company of RMB1,364,974,000 as at June 30, 2023 have been derived from consolidated net assets of the Group as at June 30, 2023 of RMB2,081,322,000, after deduction of intangible assets and goodwill attributable to owners of the Company of RMB422,527,000 and non-controlling interest of RMB293,821,000 as shown in Accountants' Report set out in Appendix I to this document. The intangible assets and goodwill attributable to owners of the Company have been derived from intangible assets of RMB861,913,000 as shown in Accountants' Report set out in Appendix I to this document, after deduction of intangible assets and goodwill attributable to non-controlling interest of RMB439,387,000.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on the Company [**REDACTED**] and **[REDACTED]** Shares at the **[REDACTED]** of HK$**[REDACTED]** or HK$**[REDACTED]** per **[REDACTED]**, after deduction of the estimated **[REDACTED]** fees and commissions and other estimated expenses paid or payable by the Group in relation to the **[REDACTED]** which have not been charged to consolidated profit or loss during the Track Record Period. The estimated **[REDACTED]** are converted into RMB at an exchange rate of HK$1.00 to RMB0.9124, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing on November 24, 2023. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all. No account has been taken of any Shares which may be issued upon the **[REDACTED]** of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

3. The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is calculated based on **[REDACTED]** Shares in issue immediately following the completion of the **[REDACTED]** as set out in the "Share Capital" section to this document had the **[REDACTED]** been completed on June 30, 2023, but taking no account of any Shares which may be issued upon the **[REDACTED]** of the **[REDACTED]** or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

4. The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share are converted to Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.9124, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing on November 24, 2023. No representation is made that the RMB amounts have been, could have been or could be converted into HKD, or vice versa, at that rate, or at any other rate or at all.

5. The Group's property interests as at October 31, 2023 have been valued by Asia-Pacific Consulting and Appraisal Limited, an independent property valuer and consultant. The above unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests amounting to approximately RMB41,484,000. Revaluation surplus has not been recorded in the historical financial information of the Group and will not be recognized in the consolidated financial statements of the Group in future periods as the Group's property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any in accordance with the accounting policy and subject to any change in accounting standards. If the revaluation surplus were recognized in the Group's consolidated financial statements, additional annual depreciation of approximately RMB988,000 would be charged against the profit in future periods.

6. No adjustment has been made to the unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2023.

[REDACTED]

[REDACTED]

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from Asia-Pacific Consulting and Appraisal Limited, an independent property valuer, in connection with its valuation as at October 31, 2023 of the selected property interests held by the Group.*

CONSULTING & APPRAISAL
亜太評估

**Asia-Pacific Consulting and Appraisal Limited**
Flat/Rm A, 12/F, ZJ 300
300 Lockhart Road
Wan Chai
Hong Kong

**[REDACTED]**

The Board of Directors
**Concord Healthcare Group Co., Ltd.**
Room B311, 3rd Floor,
Building 7 No. 48,
Zhongguancun South Road,
Haidian District,
Beijing,
PRC

Dear Sirs,

**Instructions, Purpose and Date of Valuation**

In accordance with your instructions to value the selected property interests held by Concord Healthcare Group Co., Ltd (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at October 31, 2023 (the "**Valuation Date**").

The selected property interests form part of the Group's non-property activities that has a carrying amount of 15% or more of the Group's total assets and therefore the valuation report of this property interests is required to be included in this document.

**Basis of Valuation**

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

**Methods of Valuation**

Due to the nature of the completed buildings and structures of the property no.1 in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the buildings and structures of the properties have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the construction in progress of property no. 2 in Group II, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have made reference to sale prices of land within the locality and taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation.

**Valuation Assumptions**

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

**Valuation Standards**

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

**Source of Information**

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

**Document and Title Investigation**

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificate and other official permits relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal adviser — Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

**Area Measurement and Inspection**

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out in August 2023 by Ms. Kay Liu (劉瀑), Mr. Sherlock Liu (劉鋆睿) and Mr. Eric Wu (武雙慶). Ms. Kay Liu is a Certified Public Valuer, she has more than 9 years' experience in property valuation in the PRC.; Mr. Sherlock and Mr. Eric Wu has more than 4 years' and one year' experience respectively in property valuation in the PRC.

**Currency**

All monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
for and on behalf of
**Asia-Pacific Consulting and Appraisal Limited**

**David G. D. Cheng**
*MRICS*
*Executive Director*

*Note: David G. D. Cheng is a Chartered Surveyor who has 22 years' experience in the valuation of assets in the Greater China Region, the Asia-Pacific region, the United States and Canada.*

## SUMMARY OF VALUES

**Group I — Property interests held and occupied by the Group in the PRC**

| No. | Property | Market value in existing state as at the Valuation Date | Interest attributable to the Group | Market value attributable to the Group as at the Valuation Date |
|---|---|---|---|---|
| | | *RMB* | | RMB |
| 1. | A parcel of land, a complex building and various structures in east of Jiulong Avenue and south of zhishi Avenue, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou City, Guangdong Province, The PRC | 221,660,000 | 80% | 177,328,000 |

**Group II — Property interests held under development by the Group in the PRC**

| No. | Property | Market value in existing state as at the Valuation Date | Interest attributable to the Group | Market value attributable to the Group as at the Valuation Date |
|---|---|---|---|---|
| | | *RMB* | | RMB |
| 2. | A parcel of land and a complex building under construction in Huacao Town Minhang District, Shanghai City, The PRC | 1,964,543,000 | 99.5% | 1,954,720,000 |
| | **Total:** | **2,186,203,000** | **–** | **2,132,048,000** |

## VALUATION CERTIFICATE

**Group I — Property interests held and occupied by the Group in the PRC**

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at the Valuation Date |
|---|---|---|---|---|
| | | | | *RMB* |
| 1. | A parcel of land, a complex building and various structures in east of Jiulong Avenue and south of zhishi Avenue, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou City, Guangdong Province, The PRC | The property comprises a parcel of land with a site area of approximately 33,333.00 sq.m., a complex building and various structures erected thereon which were completed in 2022.<br><br>The complex building and various structures have a total gross floor area of approximately 41,323.20 sq.m.<br><br>The structures mainly include garbage station, switch room, fire pump room and sewage treatment station.<br><br>The land use rights of the property have been granted to the Group for a term expiring on August 27, 2062 for medical and health use. | The property is currently occupied by the Group for medical purposes. | 221,660,000<br><br>(80% interest attributable to the Group: 177,328,000) |

*Notes:*

1. Pursuant to a Real Estate Title Certificate - Yue (2018) Guangzhou Shi Bu Dong Chan Quan Di No. 06860250, the land use rights of a parcel of land with a site area of approximately 33,333.00 sq.m. have been granted to Guangzhou Concord Cancer Center Co., Ltd (廣州泰和腫瘤醫院有限公司, the "Guangzhou hospital"), an 80% owned subsidiary of the Company, for a term expiring on August 27, 2062 for medical and health use.

2. For the complex building and various structures with a gross floor area of approximately 41,323.20 sq.m., we have not been provided with any title certificate except for the following documents:-

   a. Pursuant to a Construction Work Planning Permit — Sui Zhi Shi Cheng Gui Jian Zheng (2017) No. 46 in favor of Guangzhou hospital, a complex building and various structures with a total gross floor area of approximately 42,160.40 sq.m. has been approved for construction.

   b. Pursuant to a Construction Work Commencement Permit — No. 440112201801190101 in favor of Guangzhou hospital, permission by the relevant local authority was given to commence the construction work of a complex building and various structures with a total gross floor area of approximately 42,160.40 sq.m.

   c. Pursuant to a Reply of Construction Work Planning Permit - Sui Zhi Guo Gui Fu [2019] No.154 in favor of Guangzhou hospital, the gross floor area of Guangzhou Concord Cancer Hospital and basement (Phase I), garbage station, switch room, fire pump house and sewage treatment are adjusted to 42,712.10 sq.m.

   d. Pursuant to Guangzhou City Housing Construction and Municipal Infrastructure Project Completion Joint Acceptance Opinion-Sui Lian Yan (Pu) Zi [2022] No.160, the phased area of Guangzhou Concord Cancer Hospital and basement (Phase I), garbage station, switch room, fire pump house and sewage treatment is 41,323.20 sq.m.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. As of the date of issuance of the legal opinion, Guangzhou hospital has legally obtained the land use rights under the Real Estate Title Certificate.

b. As of the date of issuance of the legal opinion, Guangzhou hospital has obtained mainly requisite approval certificates for the construction work in respect of the construction of the project of Guangzhou Concord Cancer Hospital (Phase-I) mentioned in note 2 and the relevant completion acceptance filing procedures have been completed in October 2022.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the complex building of the property which have not been obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB743,604,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

## VALUATION CERTIFICATE

**Group II — Property interests held under development by the Group in the PRC**

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at the Valuation Date |
|---|---|---|---|---|
| | | | | *RMB* |
| 2. | A parcel of land and a complex building under construction in Huacao Town Minhang District, Shanghai City, The PRC | The property comprises a parcel of land with a site area of approximately 47,867.10 sq.m. and a building which was being constructed thereon as at the Valuation Date.<br><br>As advised by the Group, the complex building is scheduled to be completed in 2024. Upon completion, the building will has a gross floor area of approximately 144,288.00 sq.m. The construction cost of the building is estimated to be approximately RMB2,150,000,000, of which approximately RMB1,576,819,000 had been paid up to the Valuation Date.<br><br>The land use rights of the property have been granted to the Group for a term expiring on September 7, 2065 for medical and health use. | The property is currently under construction. | 1,964,543,000<br><br>(99.5% interest attributable to the Group: 1,954,720,000) |

*Notes:*

1. Pursuant to a Real Estate Title Certificate — Hu (2017) Mi Zi Bu Dong Chan Quan Di No. 036221, the land use rights of a parcel of land with a site area of approximately 47,867.10 sq.m. have been granted to Shanghai Concord Medical Cancer Hospital Limited (上海泰和誠腫瘤醫院有限公司, the "Shanghai hospital"), a 99.5% owned subsidiary of the Company, for a term expiring on September 7, 2065 for medical and health use.

2. Pursuant to a Construction Work Planning Permit — Hu Min Jian (2017) FA 31011220176805 in favor of Shanghai hospital, a complex building with a gross floor area of approximately 145,019.00 sq.m. has been approved for construction.

3. Pursuant to a Construction Work Commencement Permit — No. 1701MH0003D02 in favor of Shanghai hospital, permission by the relevant local authority was given to commence the construction work of a complex building with a gross floor area of approximately 144,288.00 sq.m..

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. As of the date of issuance of the legal opinion, Shanghai hospital has legally obtained the land use rights under the Real Estate Title Certificates.

   b. As of the date of issuance of the legal opinion, Shanghai hospital has obtained most requisite approval certificates for the construction work in respect of the construction of the complex building mentioned in notes 2 and 3.

This Appendix contains a summary of Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential **[REDACTED]**. A copy of the Articles of Association is available on display as mentioned in Appendix VIII to this document.

## SHARES

All the shares issued by the Company are ordinary shares.

The Shares of the Company shall be issued in accordance with the principles of openness, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and in the same issue shall be issued on the same conditions and at the same price. Any entity or individual subscribing for the Shares shall pay the same price for each Share.

### Increase, Reduction and Repurchase of Shares

***Increase of Capital***

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to respective resolution of the general meeting, by any of the following methods:

(I) a public offering of shares;

(II) a private placement of shares;

(III) allotment of bonus shares to existing shareholders;

(IV) conversion of reserve funds to share capital;

(V) other methods permitted by laws and administrative regulations and securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** and approved by China Securities Regulatory Commission.

***Reduction of Capital***

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law and other relevant regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Shares of the Company are **[REDACTED]**, as well as the Articles of Association.

***Repurchase of Shares***

The Company shall not acquired the Shares of the Company with one of the following exceptions:

(I) to reduce the registered capital of the Company;

(II) to merge with other companies that hold shares in the Company;

(III) to use the shares for employee shareholding schemes or as share incentives;

(IV) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings on the merger or division of the Company;

(V) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company; or

(VI) to safeguard corporate value and shareholders' equity as the Company deems necessary.

*Transfer of Shares*

Shares of the Company can be transferred legally. All H shares shall be transferred by an instrument in writing in any usual or common form or any other form which the Board of Directors accepts (including the prescribed form or transfer form as required by the Hong Kong Stock Exchange from time to time). The instrument of transfer may only be executed by hand or (if the transferor or the transferee is a company) affixed with the Company's effective seal. If the transferor or the transferee is a recognized clearing house as defined by the relevant regulations of the laws of Hong Kong in effect from time to time or the agent thereof, and the instrument of transfer may be executed by hand or by machine imprinted signatures. All transfer instruments shall be kept at the legal address of the Company or any address specified by the Board of Directors from time to time.

The Company shall not accept Shares of the Company as the subject of pledges.

Shares in the Company held by the promoters shall not be transferred within 1 year from the date of the Company's establishment. The shares which were issued before the **[REDACTED]** shall not be transferred within 1 year since the shares of the Company were **[REDACTED]** on the stock exchange(s).

During their tenure, directors, supervisors and the senior management officers of the Company shall report to the Company their shareholdings in the Company and changes therein and shall not transfer more than 25% per year of the total number of shares held by them; the shares held by them shall not be transferred within 1 year from the date when the shares of the Company were **[REDACTED]** and **[REDACTED]** on the stock exchange. The aforesaid persons shall not transfer their shares within 6 months from the date on which their resignation comes into effect.

The gains made by a shareholder holding 5% or more of the shares of the Company (excluding any recognized clearing house or its nominees(s) as defined in the relevant regulations in force from time to time according to the laws of Hong Kong), director, supervisor, and senior management of the Company from selling shares or other equity securities of the Company within six months from the purchase of such shares or securities, or buying shares or other equity securities of the Company within six months from the sale of such shares or securities shall belong to the Company; the Board of the Company shall collect such gains. However, the circumstance where a securities company which holds 5% or more of the shares of the Company from buying the unsold shares in accordance with the **[REDACTED]** agreement and other circumstances as prescribed by the China Securities Regulatory Commission shall be excluded.

The shares or other equity securities held by the directors, supervisors, senior management and individual shareholders referred to in the preceding paragraph include the shares or other equity securities held by their spouses, parents and children, and the shares held through others' accounts.

Where the Board of the Company fails to perform the duties stipulated in the first paragraph of this article, the shareholders shall have the right to require that the Board perform the duties within 30 days. Where the Board of the Company fails to perform the duties within the aforesaid period, the shareholders shall have the right to file a lawsuit directly in their own name with a people's court to protect the interests of the Company.

Where the Board of the Company fails to perform the duties in accordance with the provisions of the first paragraph of this article, the directors who are accountable shall bear joint liability in accordance with laws.

## SHAREHOLDERS AND GENERAL MEETING

### Shareholders

The Company shall, on the basis of the certificates provided by the securities registration authority, establish a register of members, which is a sufficient evidence of the shareholders' shareholding in the Company. A shareholder shall enjoy relevant rights and assume relevant obligations in accordance with the class and number of shares he/she holds. Shareholders holding the same class of shares shall have the same rights and assume the same obligations.

The original register of H shareholders shall be kept in Hong Kong and made available for inspection by shareholders, but the Company may suspend the registration of shareholders (if necessary) in accordance with the applicable laws and regulations and the securities regulatory rules of the place where the Company's shares are

**[REDACTED]**; a duplicate of the register of H shareholders shall be kept at the Company's domicile. The appointed overseas agent shall at all times ensure the consistency of the original and the duplicate(s) of the register of H shareholders; in case of discrepancies between the original and the duplicate(s) of the register of H shareholders, the original shall prevail.

When the Company intends to convene a shareholders' general meeting, distribute dividends, enter into liquidation and engage in other activities that require determination of shareholdings, the Board of Directors or the convenor of a general meeting shall determine an equity record date, and shareholders registered on the register of members after the close of market on such date shall be the shareholders entitled to the relevant rights and interests.

**Rights and Obligations of the Shareholders**

Shareholders of the Company shall enjoy the following rights:

(I) the right to dividends and other distributions in proportion to the number of shares held;

(II) the right to apply legally for, convene, preside, attend or appoint proxies to attend general meetings and to exercise the corresponding right of speech and right to vote;

(III) the right to supervise, present proposals or raise enquiries in respect of the Company's operations;

(IV) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the Articles of Association;

(V) the right to inspect the Articles of Association, the register of members, corporate bond stubs of the Company, the minutes of general meetings, resolutions of the Board of Directors and resolutions of the Board of Supervisors, and financial and accounting report;

(VI) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;

(VII) shareholders who object to resolutions of merger or division made by the shareholders' general meeting may request the Company to purchase their shares;

(VIII) such other rights conferred by laws, administrative regulations, department rules, and the Hong Kong Listing Rules or the Articles of Association.

Shareholders of the Company shall have the following obligations:

(I) to abide by laws, administrative regulations and the Articles of Association;

(II) to pay the share subscription price based on the shares subscribed for by them and the method of acquiring such shares;

(III) not to return shares unless prescribed otherwise in laws and administrative regulations;

(IV) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors;

(V) to assume other obligations required by laws, administrative regulations, the regulatory rules of the place where the Shares of the Company are **[REDACTED]**, and the Articles of Association.

Any shareholder who abuses shareholders' rights and causes the Company or other shareholders to suffer a loss shall be liable for making compensation in accordance with the law.

Any Company's shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and severely harm the interests of the Company's creditors shall assume joint and several liability for the Company's debts.

**General Rules for the General Meeting**

The general meeting is the organ of the highest authority of the Company and shall exercise the following functions and powers:

(I) to decide on the operating policies and investment plans of the Company;

(II) to elect and replace directors and supervisors who are not employee representatives; and to decide on matters relating to their remuneration;

(III) to review and approve reports of the Board of Directors;

(IV) to review and approve reports of the Board of Supervisors;

(V) to review and approve the annual financial budgets and final accounts of the Company;

(VI) to review and approve the profit distribution plans and loss recovery plans of the Company;

(VII) to adopt resolutions on increasing or reducing the registered capital by the Company;

(VIII) to adopt resolutions on the issuance of bonds of the Company;

(IX) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(X) to amend the Articles of Association;

(XI) to adopt resolutions on the engagement or dismissal of the engagement of accounting firms by the Company;

(XII) to review and approve the external guarantees of the Company;

(XIII) to review and approve the purchase or the sale of major assets by the Company within one year, and the amount of which exceeds 30% of the latest audited total assets of the Company;

(XIV) to review and approve matters relating to the modification of use of raised fund;

(XV) to review the Company's share incentives schemes and employee shareholding schemes;

(XVI) to review other matters that required to be resolved by the general meeting as prescribed by the law, administrative regulations, department rules, securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** and the Articles of Association.

General meetings include annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once every year and within six months after the end of the preceding fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

(I) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;

(II) the losses of the Company that have not been made up reach one-third of its total paid in share capital;

(III) such is requested by a shareholder alone or shareholders jointly holding no less than 10% of the Company's voting shares;

(IV) the Board of Directors considers it necessary;

(V) the Board of Supervisors proposes that such a meeting shall be held;

(VI) other circumstances as specified by laws, administrative regulations, department rules, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** or the Articles of Association.

**Proposals and Notices of General Meetings**

The contents of proposals shall fall within the authority of general meetings.

The Board of Directors, the Board of Supervisors and shareholders individually or jointly holding no less than 3% of the shares of the Company shall be entitled to put forward proposals to the Company.

A shareholder alone or shareholders jointly holding no less than 3% of the shares of the Company may submit interim proposals in writing to the convenor ten days prior to the date of general meeting. The convenor shall issue a supplemental notice of general meeting within two days after receipt of the motion, with such interim proposals announced. As regards the publication of the supplementary notice of the shareholders' general meeting, if there are special provisions in the securities regulatory rules of the place where the Company's shares are **[REDACTED]**, such provisions shall prevail provided they do not violate the Company Law, the Securities Law, the Trial Measures and the Guidelines for the Articles of Association of Listed Companies. If the shareholders' general meeting is required to be adjourned due to publication of a supplementary notice of shareholders' general meeting in accordance with the securities regulatory rules of the place where the Company's shares are **[REDACTED]**, the shareholders' general meeting shall be adjourned in accordance with the securities regulatory rules of the place where the Company's shares are **[REDACTED]**.

Except as provided in the preceding paragraph, the convenor, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

The convenor shall, by way of an announcement, issue a notice 21 days prior to the convening of the annual general meeting to notify every shareholder or 15 days prior to the convening of the extraordinary general meeting to notify every shareholder.

Notice of the general meeting shall include the following:

(I) the time, venue and duration of the meeting;

(II) subject matters and proposals submitted for consideration and approval on the meeting;

(III) particulars shall be in clear text that all shareholders are entitled to attend general meetings and may appoint their proxies in writing to attend and vote at the meetings. Such proxies need not be shareholders of the Company;

(IV) shareholders are entitled to present on the equity determination date of general meetings;

(V) name(s) and telephone number(s) of the standing contact person(s) for the affairs of meetings;

(VI) online or other means of voting time and voting procedures.

**Holding of General Meetings**

All shareholders or their proxies of the Company registered on the register of members on the equity record date shall have the right to attend general meetings and exercise their voting rights in accordance with the relevant laws, regulations, the Hong Kong Listing Rules and the Articles of Association. The Company and the convener shall not refuse for any reason.

Shareholders may attend a general meeting in person and may appoint a proxy to attend and vote on their behalf.

General meetings shall be presided over by the chairman of the Board of Directors. If the chairman of the Board of Directors is unable or fails to perform his/her duties, the meeting shall be presided over by the vice-chairman. If the vice-chairman of the Board of Directors is unable or fails to perform his/her duties, the meeting shall be presided over by a director elected by a majority of the directors.

**Voting and Resolutions of General Meeting**

Resolutions of the general meeting include ordinary resolutions and special resolutions. Ordinary resolution at a general meeting shall be adopted by shareholders in attendance (including proxies) holding more than half of the voting rights. Special resolution at a general meeting shall be adopted by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they own, with one vote for each share. On a poll, shareholders (including proxies) with two or more votes need not use all their voting rights in the same way.

Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

Decisions of the general meeting on any of the following matters shall be adopted by special resolution:

(I) the increase or reduction of the registered capital by the Company;

(II) the merger, spin-off, division, dissolution, liquidation or change in the form of the Company;

(III) the amendment to the Articles of Association;

(IV) the purchase and the sale of major assets by the Company within one year, or the guarantee amount of which exceeds 30% of the latest audited total assets of the Company;

(V) the share incentives schemes;

(VI) other matters which the laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** or the Articles of Association require to be adopted by special resolutions and which the general meeting, by an ordinary resolution, considers to have a material impact on the Company and therefore require to be adopted by a special resolution.

**DIRECTORS AND BOARD OF DIRECTORS**

**Directors**

Directors shall be elected or replaced at the general meeting and may be removed from office before the expiration of the term of office by a general meeting. Each director shall serve a term of three years and upon expiry of which, a director shall be eligible for re-election and re-appointment. The term of office of a director shall commence on the date of taking office and end on the expiration of the term of the current session of the Board. If a director is not re-elected in a timely manner upon the expiration of his term of office, the former director shall perform his duties as a director in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association before the re-elected director takes office.

The directors may be held concurrently by the general manager or other senior management members, but the total number of directors who concurrently hold the positions of general manager or other senior management and the directors who are serving as employee representatives shall not exceed one-half of the total number of directors of the Company.

Subject to the relevant laws and regulations, as well as securities regulatory rules of the place where the Shares of the Company are **[REDACTED]**, if the Board appoints a new director to fill a casual vacancy or as an addition to the Board, the appointed director shall only hold office until the first annual general meeting after the appointment and shall be eligible for re-election at such general meeting.

Subject to the compliance with the relevant laws and administrative regulations, the general meeting may by ordinary resolution remove any director before the expiration of his/her term of office without prejudice to the director's right as provided in any contracts to claim for damages arising from his/her removal.

The Directors shall abide by the laws, administrative regulations and the Articles of Association and have the following duty of loyalty to the Company:

(I) shall not take advantage of his power to accept bribes or other illegal income, and shall not embezzle the property of the Company;

(II) shall not misappropriate the Company's funds;

(III) shall not open an account for depositing the Company's assets or funds in its own name or in the name of another individual;

(IV) shall not violate the provisions of the Articles of Association by lending the Company's funds to others or providing guarantees for others with the Company's property without the consent of a general meeting or the Board of Directors;

(V) shall not enter into contracts or conduct transactions with the Company in violation of the Articles of Association or without the consent of a general meeting;

(VI) without the consent of a general meeting, he/she shall not take advantage of his position to seek business opportunities for himself or others that should belong to the Company, or to operate the same kind of business as that of the Company for himself or for others;

(VII) shall not accept commissions as theirs' from transactions conducted by the others and the Company;

(VIII) shall not disclose the Company's secrets without authorization;

(IX) shall not make use the affiliated relationship to prejudice the interests of the Company;

(X) other duties of loyalty stipulated by the provisions of laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** and the Articles of Association.

Any income derived by a director from violation of the provisions of the preceding paragraph shall belong to the Company; for any resulting loss to the Company, such director shall be liable for compensation.

Directors shall abide by the laws, administrative regulations and the Articles of Association and shall be subject to the following diligence obligations to the Company:

(I) the Directors shall exercise the rights granted by the Company in a prudent, conscientious and diligent manner to ensure that the Company's commercial activities comply with the requirements of national laws, administrative regulations and various national economic policies, and that the extent of the commercial activities do not exceed the business scope stipulated in the business license;

(II) all shareholders shall be treated fairly;

(III) keep abreast of the Company's business operation and management;

(IV) a written confirmation of the Company's periodic reports shall be signed to ensure that the information disclosed by the Company is true, accurate and complete;

(V) the Directors shall truthfully provide relevant information and materials to the Board of Supervisors, and shall not hinder the Board of Supervisors or the Supervisors from exercising their powers;

(VI) other diligence obligations stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** and the Articles of Association.

**Board of Directors**

The Company shall set up a board of directors. The Board of Directors shall consist of nine directors, and the number of independent non-executive directors shall not be less than 3 and shall more than one-third of the total number of directors.

The Board of Directors is accountable to the general meetings and exercise the following functions and powers:

(I) to convene general meetings and report to the general meetings;

(II) to implement resolutions of the general meetings;

(III) to decide on the Company's business plans and investment plans;

(IV) to formulate the annual financial budgets and final accounts of the Company;

(V) to formulate the Company's profit distribution plans and plans on making up losses;

(VI) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and listing of shares of the Company;

(VII) to formulate plans for the Company's major acquisition, repurchase the Shares of the Company, or merger, division, dissolution or change of corporate form of the Company;

(VIII) to decide on matters such as investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management, connected transactions and donations of the Company within the scope of authorization by the general meeting;

(IX) to decide on establishment of internal management organs of the Company;

(X) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior management members, and to decide on matters over the remunerations and rewards and punishments thereof; and to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management as well as their remunerations and rewards and punishments according to the nomination of the general manager;

(XI) to formulate the basic management system of the Company;

(XII) to formulate proposals to amend the Articles of Association;

(XIII) to manage the disclosure of the Company's information;

(XIV) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service to the Company;

(XV) To listen to the work report of the general manager of the Company and to inspect the work of the general manager of the Company;

(XVI) other functions and powers provided for in laws, administrative regulations, department regulations, Hong Kong Listing Rules, other securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** or the Articles of Association.

Meetings of the board of directors may be held only if more than one half of the directors are present. Unless otherwise stipulated by laws, administrative regulations, departmental rules, the articles of association and the securities regulatory rules of the place where the Shares of the Company are **[REDACTED]**, a resolution of the Board of Directors must be passed by more than half of all directors. Vote on Board of Directors resolution shall be carried out on the basis of one person one vote.

If any director is associated with the enterprises that are involved in the matters to be resolved at the meeting of the Board of Directors, he/she shall not exercise his/her voting rights for such matters, nor shall such director exercise voting rights on behalf of other directors. Such meeting of the Board of Directors may be held only if more than one half of the directors without a connected relationship are present, and the resolutions made at such a meeting of the Board of Directors shall be passed by more than one half of the directors without a connected relationship. If the number of non-connected directors present at such meeting is less than three, the matter shall be submitted to the general meeting for consideration. The specific voting of the Board on connected transactions under the Hong Kong Listing Rules shall comply with the relevant provisions of the Hong Kong Listing Rules.

## GENERAL MANAGER AND OTHER MEMBERS OF THE SENIOR MANAGEMENT

The Company has one general manager and several deputy general managers, all of whom shall be appointed or dismissed by the Board of Directors. The general manager, deputy general manager, financial officer, secretary to the Board of Directors and other senior management personnel recognized by the Board of Directors are senior management members of the Company.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(I) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;

(II) to organize the implementation of the Company's annual business plans and investment plans;

(III) to draft plans for the establishment of the Company's internal management organization;

(IV) to draft the Company's basic management system;

(V) to formulate the specific rules and regulations of the Company;

(VI) to propose to the Board of Directors appointment or dismissal of senior management including the deputy general manager and the chief financial officer of the Company;

(VII) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(VIII) to decide on other major and administrative affairs of the Company, including borrowings, connected transactions and various other transaction matters, and to sign other important agreements, save for the laws, administrative regulations, the rules and regulations of the place where the Shares of the Company are **[REDACTED]**, and matters to be resolved at the Shareholders' general meetings and the Board of directors as stipulated by the Articles of Association;

(IX) such other functions and powers conferred by the Articles of Association or the Board of Directors.

The general manager shall be present at the meetings of the Board of Directors.

The Company shall have secretary to the Board of Directors, whose primary responsibilities include preparing general meetings and board meetings of the Company, maintaining documents and managing shareholder information of the Company, and handling the information disclosure of the Company.

Senior management members of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. Senior management members of the Company shall be liable for compensation in accordance with relevant laws if they fail to faithfully perform their duties or breach their fiduciary duty and cause damage to the interests of the Company and the shareholders of public shares.

## BOARD OF SUPERVISORS

The Company shall establish a Board of Supervisors. The Board of Supervisors shall consist of three supervisors. The Board of Supervisors shall appoint a chairman, who shall be elected by more than half of the supervisors. The term of office of each supervisor shall be a period of three years, renewable upon re-election. Any directors, general managers and other senior management shall not act concurrently as supervisors. The Board of Supervisors consists of shareholder representatives and an appropriate proportion of employee representatives of the Company, which proportion shall not be lower than 1/3.

The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers:

(I) to review and give written opinions on the Company's periodic reports prepared by the Board of Directors;

(II) to examine the Company's financial matters;

(III) to supervise the performance by the directors and senior management of their duties to the Company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;

(IV) to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;

(V) to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the Board of Directors fails to perform its duties to convene and preside the general meetings;

(VI) to submit proposals to the general meetings;

(VII) to file lawsuits against directors and senior management on behalf of the Company in accordance with the Company Law;

(VIII) in case of any queries or any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;

(IX) other functions and powers provided by laws, administrative regulations and the Articles of Association.

## FINANCIAL AND ACCOUNTING SYSTEMS, PROFIT DISTRIBUTION AND AUDITING

### Financial and Accounting Systems

The Company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council.

The Company shall submit and disclose its annual reports within four months from the ending date of each financial year, and its interim reports within three months from the ending date of the first half of each financial year, respectively. The above-mentioned annual and interim reports shall be prepared in accordance with the relevant laws, administrative regulations and the provisions of CSRC and the stock exchange(s).

**Profit Distribution**

The profit distribution policy of the Company is as follows:

(I) Decision-making procedures and mechanisms for profit distribution policy

(i) Decision-making mechanism and procedures for the implementation of profit distribution policy

A. When the Board of Directors of the Company proposes a cash dividend distribution, the Board of Directors shall carefully study and demonstrate, among other things, the timing, conditions and minimum proportion, adjustment conditions and decision-making procedure requirements for the cash dividend distribution of the Company, and the independent non-executive directors shall express clear opinions.

B. The profit distribution policy of the Company shall be proposed by the Board of Directors to the shareholders' general meeting of the Company. The profit distribution policy proposed by the Board of Directors shall be approved by a majority vote of the Board of Directors, and the independent non-executive directors shall express their independent opinions on the profit distribution policy.

C. In the event of misappropriation of the Company's funds by a shareholder, the Company shall deduct the funds misappropriated from the cash dividends to be distributed to that shareholder as compensation.

(ii) Decision-making mechanism and procedures for adjustment of profit distribution policy

A. In the event of force majeure such as wars and natural disasters, changes in the external operating environment of the Company that have a significant impact on the Company's production and operation, or material changes in the Company's operating conditions, the Company may adjust the profit distribution policy.

B. For the adjustment of the Company's profit distribution policy, the Board of Directors shall make a specific discussion, demonstrate the reasons for the adjustment and prepare a written demonstration report, which shall be submitted to the shareholders' general meeting for consideration when the independent non-executive directors have expressed their independent opinions thereon, and the relevant resolutions shall be approved by more than two-thirds of the voting rights held by shareholders present at the general meeting.

C. The Company encourages small and medium-sized investors and institutional investors to actively participate in the decision-making of the Company for profit distribution. Before considering the specific profit distribution plan, the shareholders' general meeting of the Company shall fully listen to the opinions and demands of the minority shareholders and respond to the concerns of the minority shareholders in a timely manner.

(II) Details of the profit distribution policy

(i) Form of profit distribution

The Company may distribute dividends in cash, stocks or a combination of cash and stocks, and give priority to profit distribution in cash.

(ii) Specific conditions and proportion of cash dividends

A. Provided that the Company has reserved statutory reserve fund and surplus reserve fund in full and the conditions for cash dividends are satisfied, the Company may distribute dividends in cash. The specific proportion of dividends for each year shall be resolved by the Board of Directors in view of the annual profits and the future fund use plan of the Company.

The "conditions for cash dividend distribution" referred to in the preceding paragraph are as follows:

(a) the Company is profitable for the accounting year, and the auditor has issued an audit report with unqualified opinions on the annual financial statements for the corresponding year;

(b) The capital requirements to ensure the normal operation and long-term development of the Company;

(c) There are no other circumstances that the Board of Directors deems inappropriate to distribute cash dividends.

B. When distributing profits, the Board of Directors of the Company shall make cash dividend policies in accordance with the procedures stipulated in the Articles of Association after considering its industry-specific characteristics, development stage, business model, profitability, future major capital expenditure arrangement and other factors.

(III) Conditions required for distributing stock dividend

If the Company is in a good operating status, and the Board of Directors considers that the Company's share price is not proportional to the scale of its share capital, and distributing stock dividend is beneficial to all shareholders' interests, then the Board of Directors may propose to a plan for distributing stock dividend subject to the satisfaction of the abovementioned conditions for cash dividend distribution.

(IV) Interval of profit distribution

Subject to the satisfaction of the abovementioned conditions for cash dividend distribution, the Company, in principle, adopts an annual profit distribution policy. The Board of Directors of the Company may propose an interim profit distribution plan according to profitability, cash flow and capital demand plan, which shall be implemented upon consideration and approval by the extraordinary general meeting.

**Internal Auditing**

The Company implements an internal audit system and is equipped with full-time auditors to conduct internal audit supervision on the Company's financial revenue and expenditures and economic activities.

## MERGER, DIVISION, DISSOLUTION AND LIQUIDATION OF THE COMPANY

**Merger, Division, Capital Increase and Capital Reduction of the Company**

In a merger of companies, the Company shall execute a merger agreement and prepare the balance sheet and property list. The Company shall notify their creditors within ten days of adopting merger resolutions, and shall publish announcements in newspaper within 30 days. Creditors shall be entitled to claim full repayment of all debts owed by the Company or require that appropriate assurances to be provided within 30 days of receiving the notice, or within 45 days of publication of the announcement if any such creditor does not receive the notice.

If the company is to be divided, its assets shall be divided accordingly.

In a division of the company, a balance sheet and a property list shall be prepared. The Company shall notify its creditors within ten days of the date on which the division resolution is adopted, and shall publish announcements in newspaper within 30 days.

A balance sheet and a property list shall be prepared for the purpose of the reduction of registered capital of the Company.

The Company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution regarding the reduction is made. The creditors may require the Company to pay its debts or provide guarantees for the debts within 30 days upon receiving such notice or, in the absence of such notice, within 45 days from the date of the relevant announcement.

The registered capital of the Company after reduction shall not be less than the statutory minimum amount.

When increasing or reducing the registered capital, the Company shall register the changes with company registration authorities in accordance with the laws.

**Dissolution and Liquidation of the Company**

The Company shall be dissolved in accordance with the law under any of the following circumstances:

(I) the term of business operation expires as specified by the Articles of Association or other matters leading to dissolution occur as specified by the Articles of Association;

(II) the general meeting resolves to dissolve the Company;

(III) dissolution is necessary as a result of the merger or division of the Company;

(IV) the Company's business license is revoked or it is ordered to close down or it is deregistered according to laws; or

(V) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

Where the Company is dissolved according to the provisions of sub-paragraphs (I), (II), (IV) and (V) of the preceding Article, it shall establish a liquidation committee and liquidation shall commence within 15 days from the date on which the cause for dissolution arose. The liquidation committee shall be determined by Directors or the general meeting. If the Company fails to establish the liquidation committee and carry out the liquidation within the time limit, its creditors may petition a People's Court to designate relevant persons to form a liquidation committee and carry out the liquidation.

The liquidation committee shall notify creditors within ten days of its establishment, and make announcements on newspaper within 60 days of its establishment. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice or, if they did not receive a written notice, within 45 days from the date of the announcement. When declaring their claims, creditors shall explain the particulars relevant to their claims and submit supporting documentation. The liquidation committee shall register the claims. During the period of declaration of claims, the liquidation committee shall not repay the debts to creditors.

After the liquidation committee has liquidated the Company's property and prepared a balance sheet and property list, it shall formulate a liquidation plan and submit such plan to the general meeting or the People's Court for confirmation. The Company's property remaining after payment of the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the taxes owed and all the Company's debts, shall be distributed by the Company to the shareholders in proportion to the shares they hold.

During liquidation, the Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until repayment of its debts in accordance with the preceding paragraph.

If the liquidation committee, having liquidated the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy in accordance with the law. After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

Following the completion of liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit the same to the general meeting or the People's Court for confirmation, and submit the aforementioned documents to the company registration authority to apply for company deregistration, and announce the Company's termination.

**AMENDMENT TO THE ARTICLES OF ASSOCIATION**

In any of the following circumstances, the Company shall amend the Articles of Association:

(I) after Company Law or relevant laws , administrative regulations and securities regulatory rules of the place where the Shares of the Company are **[REDACTED]** have been amended, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws, administrative regulations and securities regulatory rules of the place where the Shares of the Company are **[REDACTED]**;

(II) the circumstances of the Company have changed, which are inconsistent with the matters recorded in the Articles of Association;

(III) a general meeting decides to amend the Articles of Association.

If an amendment of these Articles of Association passed by the resolution of the shareholders' general meeting needs to be approved by the competent authority, it shall be submitted to the competent authority for approval. If an amendment to these Articles of Association involves a registered particular of the Company, registration of the change shall be carried out in accordance with the law.

## A. FURTHER INFORMATION ABOUT OUR COMPANY

### 1. Incorporation

Our Company was established as a limited liability company in the PRC on July 23, 2008 and converted as a joint stock company with limited liability in the PRC on August 27, 2015. Our registered address is at Room B311, 3rd Floor, Building 7, No. 48, Zhongguancun South Road, Haidian District, Beijing, the PRC and our principal place of business is at Room 26A1-26A5, East Tower, Hanwei Building, No. 7 Guanghua Road, Chaoyang District, Beijing, the PRC.

Our Company has established a place of business in Hong Kong at Room 1701, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 26, 2022. Ms. HO Wing Nga, our joint company secretary, is the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in "Regulatory Overview" and Appendix IV to this document.

### 2. Changes in the Share Capital of our Company

On July 23, 2008, our Company was established with a registered capital of US$5 million.

The following sets forth changes in our share capital within two years immediately preceding the date of this document.

On April 26, 2022, the registered capital of our Company increased from RMB324,361,364 to RMB648,722,728. See "History, Development and Corporate Structure" for details.

On June 8, 2023, the registered share capital of our Company was increased from RMB648,722,728 to RMB676,918,216, with additional capital contributions from CSPC NBP amounted to RMB28,195,488. See "History, Development and Corporate Structure" for details.

Immediately following the completion of the **[REDACTED]** but without taking into account of any H Shares which may be issued upon the **[REDACTED]** of the **[REDACTED]**, our registered capital will increase to RMB**[REDACTED]**, comprising **[REDACTED]** Domestic Shares and **[REDACTED]** H Shares fully paid up or credited as fully paid up.

Immediately following the completion of the [**REDACTED**] and taking into account of all the H Shares which may be issued upon the **[REDACTED]** of the [**REDACTED**], our registered capital will increase to RMB**[REDACTED]**, comprising **[REDACTED]** Domestic Shares and **[REDACTED]** H Shares fully paid up or credited as fully paid up.

Save as disclosed above and in "—3. Resolutions Passed by Our Shareholders' General Meeting in relation to the **[REDACTED]**," there has been no other alteration in the share capital of our Company during the two years preceding the date of this document.

### 3. Resolutions Passed by Our Shareholders' General Meeting in relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on June 20, 2023, the following resolutions, among others, were duly passed:

(a) the issue of H Shares with a nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Stock Exchange;

(b) the number of H Shares to be **[REDACTED]** shall be no more than **[REDACTED]**% of the total issued share capital of our Company upon the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**), and the grant of the **[REDACTED]** in respect of no more than **[REDACTED]**% of the number of H Shares initially [**REDACTED**] under the **[REDACTED]**;

(c) subject to the filing with CSRC is completed, upon completion of the **[REDACTED]**, **[REDACTED]** Domestic Shares will be converted into H Shares on a one-for-one basis;

(d) approving and adopting the Articles of Association, which shall only become effective from the **[REDACTED]**, and authorizing the Board which will re-delegate the authority to the chairman of the Board or otherwise authorized other person to amend the Articles of Association according to applicable laws and regulations as well as comments and requirements from relevant governmental authorities and regulatory authorities; and

(e) approving the Board and its authorized persons to handle all matters relating to, among other things, the **[REDACTED]** and **[REDACTED]** of H Shares on the Stock Exchange.

**4. Changes in Share Capital of our Subsidiaries**

The list of our subsidiaries is set out in Note 1 to the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

***(1) Shanghai Meizhong Jiahe General Practice Center Co., Ltd. (上海美中嘉和雲影全科診所有限公司)***

On November 3, 2022, Shanghai Taifeng Medical Technology Ltd. transferred 100% of the equity interests in Shanghai Meizhong Jiahe General Practice Center Co., Ltd. to Shanghai Taizhi Medical Technology Service Co., Ltd.

***(2) Guangzhou Concord Pharmacy Co., Ltd. (廣州泰和藥房有限公司)***

On December 12, 2022, Guangzhou Concord Pharmacy Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10,000,000.

***(3) Shanghai Healthingkong Technology Services Co., Ltd. (上海和信康技術服務有限公司)***

On September 19, 2023, Shanghai Healthingkong Technology Services Co., Ltd. was established under the laws of the PRC with a registered capital of RMB1,000,000.

***(4) Shanghai Concord Medical Diagnostic Imaging Limited (上海美中嘉和醫學影像診斷有限公司)***

On October 19, 2023, the registered capital of Shanghai Concord Medical Diagnostic Imaging Limited was increased from RMB150,000,000 to RMB173,247,077 by way of capital contribution from the Company.

**5. Restriction on Share Repurchases**

For details of the restrictions on share repurchases by our Company, see "Appendix IV—Summary of Articles of Association—Shares—Increase, Reduction and Repurchase of Shares—Repurchase of Shares" in this document.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this document that are or may be material:

(a) a capital increase agreement dated June 8, 2023 entered into among CSPC NBP Pharmaceutical Co., Ltd. (石藥集團恩必普藥業有限公司), our Company, Shanghai Medstar Financial Leasing Company Limited (醫學之星（上海）融資租賃有限公司) and Concord Medical Services Holdings Limited, pursuant to which CSPC NBP Pharmaceutical Co., Ltd. agreed to invest in our Company by subscription for 28,195,488 shares of our Company at a consideration of RMB299,999,992.32;

(b) a deed of non-competition dated [●] entered into between the Controlling Shareholders and our Company regarding non-competition undertakings given by the Controlling Shareholders, details of which are set out in the section headed "Relationship with Our Controlling Shareholders—Non-Competition Undertaking—Deed of Non-Competition" in this document;

(c) a deed of indemnity dated [●] entered into between the Controlling Shareholders and our Company pursuant to which the Controlling Shareholders agreed to give certain indemnities in favor of the Company, details of which are set out in "—D. Other Information—2. Indemnities" in this section; and

(d) the **[REDACTED]**.

**2. Intellectual Property Rights**

As of the Latest Practicable Date, our Company had registered, or had applied for the registration of the following intellectual property rights which were material to our Group's business:

***Trademarks***

As of the Latest Practicable Date, we have registered the following trademarks, which we consider to be material to the business of our Group:

| No. | Trademark | Class | Registered Owner | Registration Number | Place of Registration | Registration Date | Expiry Date |
|---|---|---|---|---|---|---|---|
| 1. | 美中嘉和 | 44 | Our Company | 15650140 | PRC | September 21, 2016 | September 20, 2026 |
| 2. | 嘉和云影 | 9, 38, 42, 44 | Our Company | 52390452 | PRC | August 28, 2021 | August 27, 2031 |
| 3. | 云医海棠 | 9, 42, 44 | Shanghai Outpatient Center | 52033222 | PRC | August 14, 2021 | August 13, 2031 |
| 4. | 美中嘉和 CONCORD MEDICAL | 42,44 | Our Company | 305804316 | Hong Kong | November 17, 2021 | November 16, 2031 |

As of the Latest Practicable Date, our Group was licensed to use the following trademark which is material to the business of our Group:

| No. | Trademark | Class | Registered Owner | Registration Number | Place of Registration | Registration Date | Expiry Date |
|---|---|---|---|---|---|---|---|
| 1. | 泰和诚 | 44 | Beijing Concord | 9742593 | PRC | September 14, 2012 | September 13, 2032 |

***Patents***

As of the Latest Practicable Date, we have registered the following patents which we consider to be material to the business of our Group:

| No. | Patent | Category | Patentee | Registration Number | Place of Registration | Grant Date |
|---|---|---|---|---|---|---|
| 1. | A method for building microservice medical image cloud and cloud film based on containerization (一種基於容器化構建微服務化醫療影像雲及雲膠片的辦法) | Invention | Beijing Yundu Internet Technology Co., Ltd. | 201910010567.X | PRC | June 23, 2020 |

| No. | Patent | Category | Patentee | Registration Number | Place of Registration | Grant Date |
|---|---|---|---|---|---|---|
| 2. | Preparation method and application of gel for three-dimensional dose verification of radiation therapy (用於放射治療三維劑量驗證的凝膠的製備方法及應用) | Invention | Our Company | 201610423188.X | PRC | November 2, 2018 |
| 3. | A kind of preparation method of super-large pore hydrogel (一種超大孔徑水凝膠的製備方法) | Invention | Our Company | 201410797042.2 | PRC | October 13, 2017 |
| 4. | An electromagnetic centrifugal water purifier (一種電磁離心式水淨化器) | Invention | Our Company | 201510403401.6 | PRC | October 31, 2017 |
| 5. | A kind of preparation method of water-soluble polystyrene nano-microspheres (一種水溶性聚苯乙烯納米微球的製備方法) | Invention | Our Company | 201510809345.6 | PRC | February 13, 2018 |
| 6. | A novel three-dimensional gel dosimeter material and its preparation method (一種新型三維凝膠劑量計材料及其製備方法) | Invention | Our Company | 201510932342.1 | PRC | January 23, 2018 |
| 7. | CCD-based beam image acquisition system and analysis method (基於CCD的束流圖像獲取系統及分析方法) | Invention | Our Company | 201610245817.4 | PRC | February 15, 2019 |
| 8. | A positioning device of body gamma knife (一種體部伽瑪刀的定位設備) | Utility model | Beijing Yundu Internet Technology Co., Ltd. | 202022733804.6 | PRC | November 9, 2021 |
| 9. | A developing device of head gamma knife and magnetic resonance positioning MRI frame (一種頭部伽瑪刀磁共振定位MRI圖框的顯影裝置) | Utility model | Beijing Yundu Internet Technology Co., Ltd. | 202022728341.4 | PRC | November 9, 2021 |

*Copyrights*

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to the business of our Group:

| No. | Copyrights | Version | Registered Owner | Registration Number | Place of Registration | Registration Date |
|---|---|---|---|---|---|---|
| 1. | Yundu Internet Medical Operation Cockpit Platform (雲度互聯醫療運營駕駛艙平台) | 2.0 | Beijing Yundu Internet Technology Co., Ltd. | 2020SR0927703 | PRC | August 14, 2020 |
| 2. | Jiahe Cloud Radiotherapy Remote Consultation Platform (嘉和雲放療遠端會診平台) | 2.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0359661 | PRC | March 17, 2022 |
| 3. | Jiahe Cloud Nuclear Medicine Remote Information System (嘉和雲核醫學遠端資訊系統) | 1.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0359842 | PRC | March 17, 2022 |
| 4. | Jiahe Cloud Radiotherapy Remote Quality Control Platform (嘉和雲放療遠程質控平台) | 2.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0360838 | PRC | March 17, 2022 |
| 5. | Jiahe Cloud Radiotherapy Remote Platform (嘉和雲放療遠程平台) | 2.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0360888 | PRC | March 17, 2022 |
| 6. | Jiahe Cloud Radiotherapy Remote Collaboration Platform (嘉和雲放療遠程協作平台) | 2.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0360889 | PRC | March 17, 2022 |
| 7. | Jiahe Cloud Image Remote Consultation System (嘉和雲影像遠端會診系統) | 2.2 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0361545 | PRC | March 18, 2022 |

| No. | Copyrights | Version | Registered Owner | Registration Number | Place of Registration | Registration Date |
|---|---|---|---|---|---|---|
| 8. | Jiahe Cloud Nuclear Medicine Remote Reporting System (嘉和雲核醫學遠端報告系統) | 1.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0361552 | PRC | March 18, 2022 |
| 9. | Jiahe Cloud Image Remote Diagnosis Platform (嘉和雲影像遠端診斷平台) | 2.2 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0361620 | PRC | March 18, 2022 |
| 10. | Jiahe Cloud Assets Remote Management System (嘉和雲資產遠端系統管理系統) | 1.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0361621 | PRC | March 18, 2022 |
| 11. | Jiahe Cloud Pathology Remote Diagnosis System (嘉和雲病理遠端診斷系統) | 1.0 | Beijing Yundu Internet Technology Co., Ltd. | 2022SR0361628 | PRC | March 18, 2022 |

***Domain Names***

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

| No. | Domain Name | Registered Owner | Registration Date | Expiry Date |
|---|---|---|---|---|
| 1. | concordmedical.com | Our Company | June 5, 2000 | June 5, 2024 |
| 2. | gzconcord.cn | Guangzhou Hospital | July 5, 2018 | July 5, 2024 |

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interests

***(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations***

Save as disclosed below, immediately following the completion of the **[REDACTED]** (assuming no **[REDACTED]** of the **[REDACTED]**), none of our Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were 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 in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of

Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules to be notified to our Company, once the H Shares are **[REDACTED]** on the Hong Kong Stock Exchange.

| Name | Position | Our Company/ name of associated corporation | Capacity/ nature of interest | Number and class of shares/ underlying shares | Approximate percentage of shareholding interest in the total share capital | Approximate percentage of shareholding in our Domestic Shares / H Shares |
|---|---|---|---|---|---|---|
| Dr. Yang | Executive Director | Our Company | Interest in controlled corporation | **[REDACTED]** Domestic Shares | **[REDACTED]** | **[REDACTED]** |
| | | | Interest in controlled corporation | **[REDACTED]** H Shares | **[REDACTED]** | **[REDACTED]** |
| | | Beijing Healthingkon (1) | Interest in controlled corporation | – | 17.83% | – |
| Mr. TENG Shengchun | Supervisor | Beijing Healthingkon | Beneficial interest | – | 0.98% | – |

(1) Dr. Yang owns 99.99% of the equity interest in Beijing Healthingkon Management Consulting Co., Ltd. (北京和信康管理顧問有限責任公司), which is the general partner of Beijing Healthingkon Information Technology Partnership (Limited Partnership) (北京和信康信息科技合夥企業（有限合夥）), which in turn owns approximately 17.83% of the equity interests in Beijing Healthingkon.

### *(b) Interests and short positions of the substantial shareholders*

Save as disclosed below and in the section headed "Substantial Shareholders" in this document, up to the Latest Practicable Date, our Directors, Supervisors or chief executive were not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who had an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the **[REDACTED]**, would fall to be disclosed to our Company under the provisions of Divisions 2 an 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company or any member of our Group.

| Member of our Group | Person with 10% or more interest | Capacity | Approximate percentage of interest |
|---|---|---|---|
| Guangzhou Hospital | Guangdong Guanhua Medical Services Co., Ltd. | Beneficial interest | 20% |
| Guangzhou Concord Hospital Management Co., Ltd. | ZENG Zhaopeng | Beneficial interest | 30% |
| Beijing Healthingkon | Beijing Healthingkon Information Technology Partnership (Limited Partnership) | Beneficial interest | 17.83% |
| | Healthingkon Investment Holding Co., Ltd. | Beneficial interest | 21.68% |
| | ZHU Feng | Beneficial interest | 15.67% |

## 2. Particulars of Service Contracts

Each of our Directors and Supervisors [has entered] into a service contract with our Company. Each service contract is for an initial term of three years. The service contracts may be renewed in accordance with their respective terms, the Articles and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

### 3. Remuneration of Directors and Supervisors

The aggregate amount of emolument paid to our Directors and Supervisors for the three years ended December 31, 2022 and the six months ended June 30, 2023 were RMB0.9 million, RMB1.5 million, RMB4.3 million, RMB5.1 million and RMB2.0 million, respectively.

During the Track Record Period, no fees were paid by our Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office.

### 4. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been 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;

(b) none of our Directors or Supervisors 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 knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the **[REDACTED]**, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or 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 our Group; and

(d) so far as is known to our Directors, none of our Directors, Supervisors, their respective close associates (as defined under the Hong Kong Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

## D. OTHER INFORMATION

### 1. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

### 2. Indemnities

The Controlling Shareholders [have entered] into a deed of indemnity with our Company in favor of us to provide indemnities on a joint and several basis in respect of, among others, taxation resulting from income, profits or gains earned, accrued or received as well as any claims, penalties, fines, damages, losses, expenses or other liabilities relating to the non-compliance incidents of any member of the Group and payable on or before the **[REDACTED]**, conditional upon the **[REDACTED]** becoming unconditional.

### 3. Litigation

As of the Latest Practicable Date, save as disclosed in this document, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

### 4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]**, our H Shares (including any H Shares which may be **[REDACTED]** pursuant to the **[REDACTED]** of the **[REDACTED]**) and the H Shares to be converted from Domestic Shares.

Haitong International Capital Limited confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

China International Capital Corporation Hong Kong Securities Limited is not considered independent under Rule 3A.07 of the Listing Rules given it is in the same group of companies as CICC Jiatai Phase II (Tianjin) Equity Investment Fund Partnership (Limited Partnership), being a substantial shareholder and connected person of the Company.

Each of the Joint Sponsors will receive a fee of US$300,000 for acting as a sponsor for the **[REDACTED]**.

**5. Preliminary Expenses**

We have not incurred any material preliminary expenses.

**6. Promoters**

The promoters of our Company are then shareholders of our Company, namely Shanghai Medstar and Tianjin Concord, as at August 27, 2015, before our conversion into a joint stock limited liability company. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the **[REDACTED]** or the related transactions described in this document.

Save for the **[REDACTED]** and as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the **[REDACTED]** or the related party transactions described in this document.

**7. Qualifications of Experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice in this document are as follows:

| Name | Qualification |
|---|---|
| China International Capital Corporation Hong Kong Securities Limited | A corporation licensed 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) of the regulated activities as defined under the SFO |
| Haitong International Capital Limited | A corporation licensed to conduct Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| Commerce & Finance Law Offices | Legal advisor as to PRC law |
| BDO Limited | Certified Public Accountants and Registered Public Interest Entity Auditor |
| Asia-Pacific Consulting and Appraisal Limited | Independent property valuer |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Independent industry consultant |
| Lixin Certified Tax Agents Co., Ltd. | Independent tax advisor |

**8. Consents of Experts**

Each of the experts as referred to in the paragraph headed "—7. Qualifications of Experts" above in this appendix has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its names and qualifications included herein in the form and context in which they respectively appear.

**9. Interests of Experts in our Company**

None of the experts named above has any shareholding interests 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 our Company or any of our subsidiaries as of the Latest Practicable Date.

**10. Taxation of Holders of H Share**

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the **[REDACTED]** of members of our Company, including in circumstances where such transaction is affected on the Stock Exchange. The rate charged on each of the purchaser and seller effective from November 17, 2023 is 0.10% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

**11. No Material Adverse Change**

Our Directors confirm that save as disclosed in this document there has been no material adverse change in our financial or trading position since June 30, 2023 (being the date of the latest audited consolidated statements of financial position of our Group as set out in the Accountants' Report in Appendix I to this document) and up to the date of this document.

**12. Miscellaneous**

(a) Within the two years immediately preceding the date of this document, save as disclosed in the section headed "History, Development and Corporate Structure" in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) 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.

(c) Neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares.

(d) Save as in connection with the **[REDACTED]**, within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group.

(e) Within the two years immediately preceding the date of this document, no commission has been paid or payable (except commissions to the **[REDACTED]**) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in or debentures of our Company or any of our subsidiaries.

(f) None of the equity and debt securities of our Company is **[REDACTED]** or **[REDACTED]** with on any other stock exchange nor is any **[REDACTED]** or permission to **[REDACTED]** being or proposed to be sought.

(g) Our Company has no outstanding convertible debt securities.

(h) Save as disclosed in this document, there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

(i) There are no arrangements under which future dividends are waived or agreed to be waived.

(j) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

**13. 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 (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**14. 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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in the section headed "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix V to this document; and

(b) the written consents referred to in the sub-section headed "Statutory and General Information—D. Other Information—8. Consents of Experts" in Appendix V to this document.

## 2. 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** and our website at **www.concordmedical.com** during a period of 14 days from the date of this document:

(a) the Articles of Association of the Company;

(b) the Accountants' Report for three years ended December 31, 2022 and the six months ended June 30, 2023 prepared by BDO Limited, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Company for three years ended December 31, 2022 and the six months ended June 30, 2023;

(d) the report on the unaudited **[REDACTED]** financial information prepared by BDO Limited, the text of which is set out in Appendix II to this document;

(e) the PRC legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Advisor, in respect of certain aspects of our Group;

(f) the report on tax review issued by Lixin Certified Tax Agents Co., Ltd., an independent tax advisor;

(g) the material contracts referred to in the section headed "Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix V to this document;

(h) the written consents referred to in the section headed "Statutory and General Information—D. Other Information—8. Consents of Experts" in Appendix V to this document;

(i) the service contracts referred to in the sub-section headed "Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders—2. Particulars of Service Contracts" in Appendix V to this document;

(j) the property valuation report issued by Asia-Pacific Consulting and Appraisal Limited, the text of which is set out in Appendix III to this document;

(k) F&S Report; and

(l) the PRC Company Law and the PRC Securities Law together with their unofficial English translations.