熙康云医院
XIKANG CLOUD HOSPITAL

熙康雲醫院控股有限公司
XIKANG CLOUD HOSPITAL HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9686

Annual Report
2024

Contents

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

Dr. LIU Jiren (劉積仁)

Executive Director

Ms. ZONG Wenhong (宗文紅) *(Chief Executive Officer)*

Non-executive Directors

Mr. XU Hongli (徐洪利)
Dr. WANG Nan (王楠)
Mr. PU Chengchuan (蒲成川)

Independent Non-executive Directors

Dr. CHEN Yan (陳艷)
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

AUDIT COMMITTEE

Dr. CHEN Yan (陳艷) *(Chairman)*
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

REMUNERATION COMMITTEE

Dr. CHEN Yan (陳艷) *(Chairman)*
Dr. LIU Jiren (劉積仁)
Dr. QI Guoxian (齊國先)

NOMINATION COMMITTEE

Dr. LIU Jiren (劉積仁) *(Chairman)*
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

STRATEGY COMMITTEE

Dr. LIU Jiren (劉積仁) *(Chairman)*
Ms. ZONG Wenhong (宗文紅)
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

JOINT COMPANY SECRETARIES

Ms. ZHAO Shu (趙姝)
Mr. WONG Wai Chiu (黃偉超)

AUTHORIZED REPRESENTATIVES

Ms. ZONG Wenhong (宗文紅)
Mr. WONG Wai Chiu (黃偉超)

AUDITOR

Ernst & Young

Certified Public Accountants and Registered Public Interest Entity Auditor
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Hong Kong

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https://www.xikang.com

STOCK CODE
09686

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Wan Chai
Hong Kong

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PRC

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PO Box 309
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Cayman Islands

Milestones

January 2024

The Health Commission of Henan Province and the Healthcare Security Administration of Henan Province (河南省醫療保障局) jointly issued the Implementation Plan for the Popularization and Application of the "YuJian Huli Daojia" Service Platform in Henan Province (《河南省推廣應用"豫健護理到家"服務平台實施方案》), which develops the model of "Internet + Care Service" through innovation and fulfills the people's demands for diversified and differentiated care services to make high-quality care services accessible to every home

河南省推广应用"豫健护理到家"服务平台

河南省人民政府门户网站 www.henan.gov.cn 时间：2024-01-12 13:26 来源：河南省卫生健康委员会 分享：

日前，河南省卫生健康委、省医疗保障局联合印发《河南省推广应用"豫健护理到家"服务平台实施方案》（以下简称《实施方案》），创新发展"互联网+护理服务"模式，满足人民群众多样化、差异化的护理服务需求，让优质护理走进千家万户。

《实施方案》所称的"互联网+护理服务"是指医疗机构利用在本机构注册的护士，依托统一的互联网服务平台（"豫健护理到家"），提供相关居家护理服务、护理指导和健康咨询等服务。主要包括两类服务内容，其中居家护理服务以"线上申请、线下服务"模式为主，为出院患者或罹患疾病且行动不便的特殊人群提供上门护理服务；线上护理咨询则是设立互联网护理门诊，在线上为老年病、慢性病、特殊疾病患者或孕产妇等人群提供相关护理指导和护理健康咨询等服务。符合"互联网+护理服务"资质的医疗机构结合本单位实际及所在地区实际情况从项目清单中遴选服务项目。"豫健护理到家"服务平台项目清单（首批）共有常用临床护理、健康促进指导、专科护理指导、静疗护理、腹透护理、伤口造口护理、眼科护理、母婴护理、中医护理9类、71项内容。

January 2024

"Kind Care" ("盛情護理") was officially launched in Shenyang

March 2024

"'Care in Zhejiang' ('浙里護理') making care services within reach of everyone" became one of the "Top 10 Most Influential Events" ("十大有影響力事件") in Zhejiang Health for 2023, and the pushing department is the Medical Administration and Management Department of the Health Commission of Zhejiang Province (浙江省衛生健康委醫政醫管處)

July 2024

In order to comprehensively show its business and accurately reflect its strategic positioning, the Company officially changed its name to "Xikang Cloud Hospital Holdings Inc." and its stock short name from "Neusoft Xikang" to "Xikang Cloud Hospital"

Milestones

August 2024

Ningbo "Exclusive Care" ("專曙護理") Coupon better benefits citizens

September 2024

Xikang Cloud Hospital was invited to the joint booth of "Future of Healthcare in Ningbo" ("甬領未來·智匯健康") in the digital medical exhibition area to display innovative medical services, nursing services and health management services, as well as a brand-new "Internet + Healthcare" model from all aspects

September 2024

"Sincere Care" ("金誠護理") was officially launched in Jinpu New Area, Dalian

October 2024

"Care in Xuan" ("宣慧護理") was officially launched in Xuancheng, Anhui

Milestones

November 17, 2024

Xikang Cloud Hospital celebrated its 13th anniversary

December 2024

"Care in Zhejiang" ("浙里護理") platform was selected as an excellent case of the development of digital economy in Zhejiang Province in 2024

Information Technology Department of Zhejiang

组织机构 新闻动态 政务公开 政务服务 政企互动 热点专题 经信数据

置:首页> 政务公开> 政府信息公开目录> 通知公告> 文件通知

索引号: 002482904/2024-01753	发布日期: 2024-12-31
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关于公布2024年浙江省数字经济发展优秀案例的通知

文号：浙制高办〔2024〕45号

印发时间：2024-12-31　浏览次数：1797

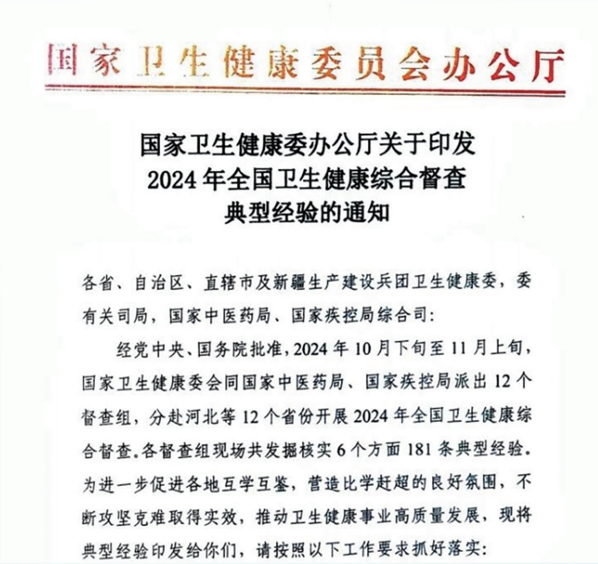
为深入实施数字经济创新提质"一号发展工程"，深化国家数字经济创新发展试验区建设，加快建设数字经济高质量发展强省，发挥典型案例和先进经验的示范引领作用，根据《关于组织开展 2024 年浙江省数字经济发展优秀案例征集工作的通知》（浙制高办〔2024〕37 号），经自主申报、地市和部门推荐、专家评审及公示，确定数字产业化、产业数字化、数据价值化、治理数字化、数字普惠化 5 个领域共 282 个案例为 2024 年浙江省数字经济发展优秀案例，现予公布。

附件：关于公布2024年浙江省数字经济发展优秀案例的通知(签章版本).pdf

浙江省制造业高质量发展（数字经济发展）领导小组办公室

December 2024

"Kind Care" ("盛情護理") was selected as a case of "Typical Experience of National Health Comprehensive Inspection in 2024"



国家卫生健康委员会办公厅

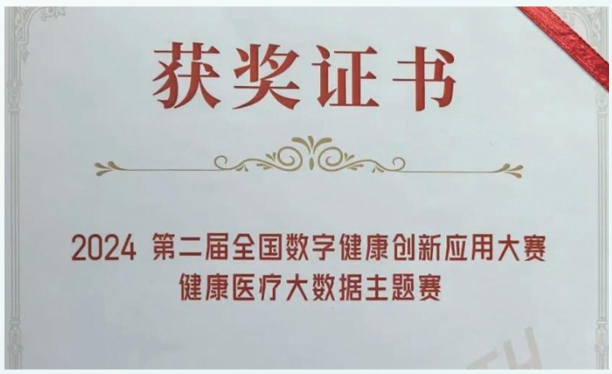
国家卫生健康委办公厅关于印发
2024 年全国卫生健康综合督查
典型经验的通知

各省、自治区、直辖市及新疆生产建设兵团卫生健康委，委有关司局，国家中医药局、国家疾控局综合司：

经党中央、国务院批准，2024 年 10 月下旬至 11 月上旬，国家卫生健康委会同国家中医药局、国家疾控局派出 12 个督查组，分赴河北等 12 个省份开展 2024 年全国卫生健康综合督查。各督查组现场共发掘核实 6 个方面 181 条典型经验。为进一步促进各地互学互鉴，营造比学赶超的良好氛围，不断攻坚克难取得实效，推动卫生健康事业高质量发展，现将典型经验印发给你们，请按照以下工作要求抓好落实：

December 2024

Nanning Cloud Hospital won the Excellence Award at the 2nd National Digital Health Innovation & Application Competition



Milestones

February 2025

"Care in Zhejiang" ("浙里護理") appeared on CCTV. Zhejiang: Time- and labor-saving "online appointment with nurses" brings nursing service to your doorstep

March 2025

ZONG Wenhong, CEO of Xikang Cloud Hospital, was invited to the "Interview on Two Sessions Health Policy" ("兩會健康策") where she elaborated on our 10-year innovation of "Internet + Care"

Financial Highlights

	Year ended December 31,		
	2024	2023	Change
	RMB million	RMB million	RMB million
Revenue	**501.5**	537.7	(36.2)
Gross profit	**147.5**	164.6	(17.1)
Gross margin	**29.4%**	30.6%	(1.2%)
Loss for the year	**(83.8)**	(154.9)	71.1
Add: Share-based compensation expenses	**8.5**	29.8	(21.3)
Add: Interest expenses for financial liability with redeemable rights	**–**	9.7	(9.7)
Adjusted net loss for the year (non-HKFRS measure)	**(75.3)**	(115.4)	40.1

Chief Executive Officer's Statement

2024 witnessed profound transformation in China's healthcare industry as well as new heights in the development of the Company. Driven by the global wave of digital transformation, the healthcare industry is undergoing a profound transformation from being "disease-centered" to "health-centered". With the intensification of population aging, the continuous upgrading of health-related consumption demand, and the rapid development of cutting-edge technologies such as AI, home-based medical care services have become a major driver for medical inclusiveness and people's health. In this context, the Company views "empowering every family with fair, precise, friendly medical, health, and home care services" as its mission, adheres to the strategy of "medical and nursing services delivered to home", and strives to become a leader in promoting the high-quality development of China's healthcare ecosystem.

During the past year, the Company achieved satisfactory results underpinned by market demand, policy support and technological progress. We successfully built a digital healthcare ecosystem connecting the government, medical institutions, patients and insurance institutions under the core business model of "city-specific cloud hospital platform", which can precisely match and efficiently utilize medical resources. As of December 31, 2024, over 36,000 medical institutions have joined our platform, with an increase of 9.3% in the number of doctors and a surge of 89.2% in the number of nurses who joined our platform year on year. These results cannot be achieved without the firm choice and support of our partners. It is their trust that has consolidated the leading position of the Company in the industry and laid a solid foundation for our rapid expansion nationwide.

Adhering to Our Mission to Widen Service Coverage

We are hopeful about the future of China's healthcare industry. According to the National Bureau of Statistics, the population aged 60 and above in China has exceeded 300 million by 2024. The acceleration of aging has led to a surge in demand for home care services. China vigorously promotes the support policy of "Internet + Healthcare", so that high-quality medical resources can be available to more people, which enlarges the market of home care services. Relying on its unique "city-specific cloud hospital platform" business model, we actively answers the government's call by extending professional medical and nursing services to every household, making these services accessible at home rather than merely at the hospital.

We seek to provide every family with homogeneous and efficient medical, health, and home care services via innovation of technologies and service models. We are well aware that the future of medical care services lies not only in the advancement of technology, but also in the precise understanding and continuous satisfaction of users' needs. We will continue to dig into this field and contribute to the high-quality development of the industry.

Achieving Fruitful Results by Focusing on Strategies

Guided by its strategic focuses, the Company optimized its business structure, and upgraded nursing services as an independent business segment in 2024. "Medical services, nursing services, and health management services" were officially established as our three major business segments which formed a clearer and more competitive business system. With a firm focus on strategies, we managed to achieve rapid growth in our core business and significant improvement in operational efficiency under a replicable and scalable operating model in combination with AI and intelligent technologies. During the Reporting Period, the volume of our Internet medical services increased by 20.8% and home care services by 114.9% year on year. We recorded positive net operating cash flow for the first time during the year, indicating that the Company's business has entered a healthy development stage and is expected to post a profit soon.

As an industry leader in innovation, Xikang Cloud Hospital will continue to deepen the "Internet + Care" business, consolidate the strategic presence of city-specific cloud hospital platform, and expedite the commercialization of AI technologies. By doing so, we aim to systematically improve the accuracy and operational efficiency of medical services, set up a new benchmark in the industry, and promote the inclusive development of home care services.

Attaining Share Value by Building an Ecosystem

We uphold the concept of open cooperation and mutual benefit, and endeavor to build a multi-party collaborative and sustainable medical and health ecosystem. In 2024, we established deep strategic cooperation with many provincial and municipal governments, and successfully built and operated the "Internet + Care Service" platform, which effectively integrated regional medical resources, markedly improved resource utilization efficiency and service accessibility, and injected new momentum into grass-roots medical care. Meanwhile, we continued to expand our service coverage and introduce high-quality third-party medical and health services, covering expert consultations, medical companionship, high-quality consumables, health products, etc. This further diversified the services in our ecosystem, notably improved service efficiency and user experience, and provided users with full-chain, high-quality health management solutions.

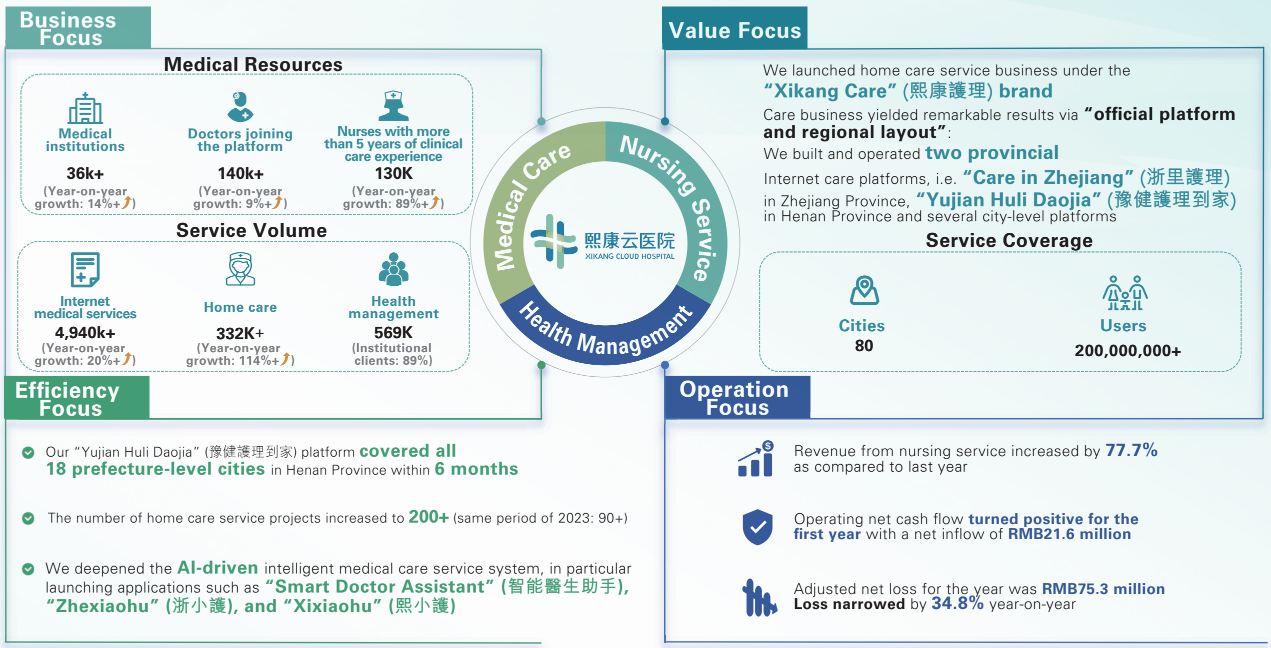
We will deepen cooperation with the government, medical institutions, third-party service providers and various sectors of society with an open and inclusive attitude, in order to bring the medical and health ecosystem to higher levels and wider fields, and create greater value for shareholders and stakeholders.

Looking ahead, substantial opportunities for intelligent and inclusive upgrading will present themselves in the healthcare industry, and we are currently at a critical stage of rapid digital transformation. 2025 is bound to be a strategically pivotal year for us. We will unswervingly concentrate on "medical and nursing services delivered to home" with users' needs as the fundamental driving force, technological innovation as the engine, and efficiency as the cornerstone. We will continue our efforts to win the trust and praise of users by providing excellent service quality, constantly enhance the brand value and market influence of "Xikang Cloud Hospital", and further cement our market leading position. While rendering greater health and well-being to the society, we aim to achieve a leapfrog improvement in profitability, promote the sustainable development of the medical and health industry, and create a bright future of health for all.

ZONG Wenhong
Chief Executive Officer and Chief Medical Officer
March 20, 2025

Management Discussion and Analysis

IMPRESSIVE ACHIEVEMENTS OF STRATEGIC FOCUSES IN 2024



I. BUSINESS REVIEW

"City-specific Cloud Hospital Platform" Business Model

With the improvement of people's health consumption awareness, the promotion of national policies and the continuous breakthroughs of digital technology such as AI, the home medical and nursing service market has grown rapidly and the demand for health consumption has continued to grow. In particular, coupled with the ageing population and declining birth rates in China, the demand of the elderly for high-quality, safe, and friendly nursing services is increasingly prominent, showing great market prospects. Keeping abreast of market and AI development trends, we are dedicated to delivering home-based medical and nursing services, ensuring that every family can efficiently and easily enjoy fair, precise, and friendly healthcare services and home care services. Leveraging our outstanding business growth and key achievements, we have been gradually becoming an important infrastructure that meets this demand.

We have been adhering to building the unique business model of "city-specific cloud hospital platform" that takes the city as the gateway and closely correlates with the regional medical and health system. We help governments build and operate the city-specific cloud hospital platform that integrates urban medical service resources and connects local governments, medical institutions, patients and insurers. We have been actively strengthening and expanding our AI technology capabilities and applications, continuously upgrading our healthcare ecosystem, and relying on advanced multimodal AI models to constantly optimize the precise allocation of healthcare resources to healthcare needs, enhance the fairness of accessing healthcare resources, and subsequently form a more advanced and valuable platform-based regional digital medical service ecology.

We continue to extend professional medical and nursing services to every household within a city through technological and service model changes, turning the bed at patients' households into the seamless extension of beds at hospitals, ensuring the medical and nursing services in home settings are as safe, reliable and effective as those in hospitals, and realizing a seamless transition of medical and nursing care.

The Uniqueness of our Cloud Hospital Business Model

The Core of our Business Model as the Cloud Hospital

The core value of our cloud hospital business model is to access urban medical resources instantly, in bulk, and at low cost with the support of local governments, so doctors and nurses can provide more professional and convenient medical and nursing services to patients in each city.

Local governments are the policy-makers, regulators and payers of China's health industry. Considering their important position within the industry, government customers are one of the core pipelines of our business. Our in-depth understanding of government services and medical regulation, as well as our accumulation of abundant cooperative resources have formed our unique and competitive advantages that are hard to be imitated by other competitors. Our "city-specific cloud hospital platform" model is closely connected and deeply linked with the regional medical and health service system. We adhere to our market strategy of accelerating the cooperation with medical institutions with local governments as the core breakthrough, to ensure the credibility of our platform.

By taking a city as the gateway with the "top-down" urban expansion strategy, we connect all medical resources within the region, leading to the fast promotion of medical institutions, doctors and nurses joining our platform intensively, subsequently integrating the city's medical resources comprehensively. We continue to deepen and broaden our local platform construction and service operation, and continuously promote the exploration of service scenarios and content innovation from inside-hospital to outside-hospital, and from offline to online. Leveraging our capabilities of enriching service contents of medical, nursing, health management and other services, we can achieve scalable service provision on our cloud hospital platform, resulting in the good expansibility and replicability of our business.

Rapid Development under our Cloud Hospital Business Model

We formed and operated the first city-specific cloud hospital platform of China in Ningbo. On the grounds of our successful operational experience in the full-cycle medical service chain combining medical, nursing and health management services in Ningbo for more than ten years, we have formed a comprehensive, mature and verifiable business replication model to realize rapid replication and expansion in other cities. Driven by our cloud hospital business model, we have been exploring and implementing the valuable innovative application of AI technology and smart healthcare management system, which has significantly accelerated the speed of our business expansion. During the Reporting Period, we continued to dig the markets in Eastern China, Northern China, Southern China and other regions, thus further expanding our city-specific cloud hospital platform network. As of December 31, 2024, the number of medical institutions connected to our platform network was over 36,000, of which the number of hospitals was 2,986 (as of December 31, 2023: 2,610), representing a year-on-year increase of 14.4%. There were 142,000 doctors (as of December 31, 2023: 130,000) and 130,000 nurses (with more than 5 years of clinical nursing experience) (as of December 31, 2023: 69,000) joining our platform, representing a year-on-year increase of 9.3% and approximately 89.2%, respectively.

During the Reporting Period, combining our own strategic positioning and advantages, we made the integration and adjustment of our business structure in the first half of 2024, upgraded our fast-developing home care services into an independent business segment to highlight its strategic value to the Company, forming the three major segments of "medical services, nursing services and health management services", the main businesses and advantageous businesses of the Company have become clearer and more prominent. During the Reporting Period, we vigorously focused on our "home-based medical and nursing services". As the leading "Internet + Nursing Service" platform operator in China, we cooperated with several provincial and municipal governments in China, among which, we helped the governments of Zhejiang Province and Henan Province to form and operate two provincial "Internet + Nursing Service" platforms. While we were working on the "Care in Zhejiang (浙里護理)" platform in Zhejiang Province, the "YuJian Huli Daojia (豫健護理到家)" platform in Henan Province was operating well, which achieved the comprehensive coverage in 18 cities of Henan Province in the first half of 2024. Empowered by AI technology in the fields of data analysis, smart services and personalized nursing guidance, we have not only achieved significant growth in the scale of our nursing service business, but also made impressive strides in user loyalty and user experience.

Meanwhile, we have been optimizing our business structure and resource allocation, strengthening the synergies among our three major business segments, and continuously innovating to satisfy users' needs for services from inside-hospital to outside-hospital, and from offline to online. Our healthcare management services have become precise, intelligent and efficient with the help of the application of AI technology. During the Reporting Period, continuously guided by the cloud hospital model and business focus strategy, the overall business performance of the Company has improved steadily, and the strategic business has developed strongly and grown significantly. The volume of internet medical services we provided exceeded 4,944,000 (same period of 2023: exceeded 4,091,000), representing a year-on-year increase of 20.8%. The volume of home care services we provided exceeded 332,000 (same period of 2023: exceeded 154,000), representing a year-on-year increase of 114.9%. The volume of nursing consultation services we provided exceeded 324,000 (same period of 2023: exceeded 197,000), representing a year-on-year increase of 64.0%.

The Scale Effect of our Core Business is Achieved, the Profit is Expected to Grow at an Accelerated Pace

During the Reporting Period, as the business model under our cloud hospital platform became more certain and the profit model under our strategic focus became more pronounced, and we kept creating the value and core competitiveness of the Company through the city expansions and the continuous development of service offerings, the scale effect of our core businesses accelerated. At the same time, by virtue of the in-depth promotion of AI technology in the areas of innovation breakthroughs, precise optimization and processes enhancement in business, the operational efficiency has been continuously improved, the financial condition has also been significantly optimized. The net cash flow from operations had a positive inflow for the first year, hastening the reduction of losses, thus laying a solid foundation for the Company's turnaround from loss to profit as early as possible as well as for long-term sound and steady development.

The following table sets forth the revenue from each business segment during the Reporting Period:

	Year ended December 31,			
	2024		2023	
	Revenue	**%**	Revenue	%
	(RMB in thousands, except for percentages)			
Medical Services (Note 1)	**216,670**	**43.2%**	223,703	41.6%
Nursing Services (Note 2)	**56,151**	**11.2%**	31,606	5.9%
Health Management Services (Note 3)	**228,675**	**45.6%**	282,406	52.5%
Total	**501,496**	**100.0%**	537,715	100.0%

Notes:

1 Revenue generated from our medical services segment decreased by 3.1% to RMB216.7 million for the year ended December 31, 2024 from RMB223.7 million for the year ended December 31, 2023, mainly attributable to the continued weakness of the current economic fundamentals and increasingly fierce market competition, which resulted in fewer project opportunities and delays in projects in cooperation with local governments.

2 Revenue generated from our nursing services segment increased by 77.7% to RMB56.2 million for the year ended December 31, 2024 from RMB31.6 million for the year ended December 31, 2023, mainly attributable to the gradual demonstration of economies of scale of nursing services benefiting from our realization of rapid replication by market promotion and professional operation apart from enhancing operational efficiency through information technology, digitization and AI empowerment.

3 Revenue generated from our health management services segment decreased by 19.0% to RMB228.7 million for the year ended December 31, 2024 from RMB282.4 million for the year ended December 31, 2023, mainly attributable to the increasingly fierce market competition and the continued weakness of economic fundamentals, which led companies to reduce the expenditure on their employees' health management.

Development of Three Major Business Segments

Xikang Cloud Hospital adheres to the health needs of the residents, constantly promotes the exploration of "Medical + Nursing + Health Management" service scenarios and content innovation and continues to lead the development of China's home medical and nursing market. Our business portfolio takes the city-specific cloud hospital platform as the carrier and includes three major business segments: medical services, nursing services, and health management services. Our medical service business is dedicated to empowering medical institutions and their practitioners, to help them provide patients with "seamless and integrated online and offline, in – and out-of-hospital" online medical services. Our nursing service business extends professional nursing services to out-of-hospital scenarios, providing users with professional, safe, reliable, and homogeneous home care services and online nursing consultation services. Our health management service business provides individual and institutional users with full-cycle health management services through our self-operated medical institutions. So far, we have formed a closely connected and efficiently collaborated business integration mechanism to cultivate a cloud hospital industrial ecology that covers the full cycle of healthcare service needs. We have formed an ever-expanding range of business application scenarios to continuously enhance the market competitiveness of our unique cloud hospital business model.

We have actively promoted the strategic integration of artificial intelligence technology and healthcare services, continued to increase investment in the development of application scenarios that match users' needs. Relying on AI core technology such as natural language processing and computer vision, an AI-driven medical and nursing service system is established. We actively promote the commercialization of our services to create an efficient operation model of home medical and nursing services. This effectively improved our operational efficiency, service response, and user satisfaction.

During the Reporting Period, we were determined to implement our "Business-Focus Strategy", kept deepening our efforts in the existing markets, expanding our service offerings and optimizing our strategic synergies. We formulated and implemented a more comprehensive market expansion plan to make full use of the collaboration and integration of resources among our three major business segments, and enter into multi-scenario and multi-industry cooperation with various stakeholders. In the meantime, we constantly explored a series of home healthcare, nursing, rehabilitation services and product offerings to improve the whole-process healthcare service system that "focuses on the needs of users". Satisfying the differentiated needs of our users with a variety of solutions significantly enhanced the commercialization of our resources and services.

Medical Services

We insist on the seriousness of medical services, adhere to a patient-oriented approach, and fully integrate the medical service ecosystem resources within the city based on patients' post-hospital and home medical service needs, to provide convenient, high-quality, safe and reliable home medical services with the same quality as those in hospital for users connected to our city-specific cloud hospital platform. We adhere to the city-specific cloud hospital development strategy of "connecting and empowering all parties including the providers, the demanders, the payers and the regulators" so as to achieve the collaborative optimization of medical service operation in a city, resulting in a mature, robust and positively circulating medical service network.

We take "integrated medical services from offline to online" and "pre-hospital, in-hospital and post-hospital full-cycle medical management" as the breakthroughs to continuously optimize the process and experience of medical services and enrich the scenarios and contents of our home medical services. While strengthening the formation and operation of the internet hospital, we have been strongly focusing on the "remote medical services on our cloud platform". We further explored our own service advantages and launched the innovative "remote outpatient consultation" services, which offers one-on-one video consultation with top experts from top 100 hospitals in China. Concurrently, we have been promoting the application of AI technology in medical services by launching "Smart Medical Assistant", which integrates AI technology into various segments of the medical service chain, including smart triage, pre-consultation, user history, diagnostic recommendations and medication guidance. This further helps medical institutions optimize patients' medical treatment process, improve outpatient efficiency and better medical treatment experience, realizing the tight integration of new-generation digital technology and medical services.

During the Reporting Period, our internet medical services grew steadily. The volume of online consultation services and e-prescription services were 2,460,000 (same period of 2023: 1,648,000) and 785,000 (same period of 2023: 729,000), representing a year-on-year increase of 49.3% and 7.7%, respectively. The volume of examination services was 515,000 (same period of 2023: 260,000), representing a year-on-year increase of 98.0%. The volume of remote medical services was 1,184,000 (same period of 2023: 1,455,000), representing a year-on-year decrease of 18.6%.

While focusing on service and product innovation, we have been deeply exploring the advanced technology, experience, resources and customer advantages of ourselves and our business partners from the perspective of user medical experience, continuously iterating and upgrading the cloud hospital platform in Shenyang, Nanning and other locations, to enhance the efficiency of our platform in connecting with medical institutions for the provision of healthcare services, and to increase our attachment with both governmental and hospital customers. We ensure that users could receive cost-effective healthcare services while improving the service capabilities of the institutions. As of December 31, 2024, we assisted 197 hospitals to establish their internet hospitals through our cloud hospital platform (same period of 2023: 151).

During the Reporting Period, the revenue from our medical service business amounted to RMB216.7 million (same period of 2023: RMB223.7 million), representing a year-on-year decrease of 3.1%.

Nursing Services

Home care service is a serious medical service in China, which is subject to compulsory access management and process supervision by government authorities. Therefore, we have been firmly adhering to the route of "official platform, regional layout", and complying with the principles of professionalism, safety and trustworthiness to maximize the satisfaction of users' needs for home and extended medical services. In 2016, we took the lead in launching an innovative pilot program for "home care services" in Ningbo City. Accumulated through long-term practice, we have formed a comprehensive operational service system, and we took the opportunity of "Innovation in One Place, Sharing across the Province" in Ningbo as the starting point, to gradually facilitate the replication and expansion of our home care services throughout China. On account of continuous development and experience in recent years, we have accumulated a mature experience model and good market recognition in the home care industry and built the "Xikang Care (熙康護理)" brand, with business covering the East, Central, South and Southwest regions of China.

We have currently undertaken the formation and operation of several provincial and municipal official "Internet + Nursing Service" platforms, and have continued to promote the establishment of a comprehensive standardized system for home care services by local government authorities and relevant organizations, and set the unified urban management system, service model, operation mechanism, training system and other standards, so that local residents could enjoy quality home care services with the same service quality in the business coverage area. During the Reporting Period, we take the "Care in Zhejiang (浙里護理)" platform in Zhejiang Province to promote the networked management of extended care areas in the province and to construct a consolidated regional collaboration of the integrated care service scheduling system, thus further strengthening the collaboration with primary medical institutions and promoting the integration and effective utilization of medical resources across the province. In addition, we have actively explored a number of new home care business scenarios such as group services, enterprise collaboration, civil collaboration and scientific research cooperation.

During the Reporting Period, we continued to expand and deepen the construction and service operation of home care platforms such as the "Care in Zhejiang (浙里護理)" in Zhejiang Province, the "YuJian Huli Daojia (豫健護理到家)" in Henan Province, the "Cloud Care in Jiulongpo (九龍坡雲護理)" in Chongqing City, the "Kind Care (盛情護理)" in Shenyang City, Liaoning Province, the "Nanning Cloud Hospital for Home Care (南寧雲醫院居家護理)" in Nanning City, Guangxi Zhuang Autonomous Region, the "Care in Xuan (宣慧護理)" in Xuancheng City, Anhui Province, with service coverage as over 0.2 billion people. Among which, we have made significant progress in expanding our operations in Henan Province, and achieved the comprehensive coverage of the "YuJian Huli Daojia (豫健護理到家)" platform in 18 cities of Henan Province within 6 months. As of December 31, 2024, 536 medical institutions and 47,000 nurses (with more than 5 years of clinical nursing experience) have joined the platform.

We adhere to a user-oriented approach, take standardized and comprehensive management as the breakthroughs, continue to carry out business breakthroughs and innovations, and fully upgrade the nursing service platform operated by us. The service operational efficiency and user experience were continuously optimized by means of AI technology, which led the achievement of service items such as AI smart recommendation and AI smart customer service, and users' satisfaction with home care services has been further enhanced. During the Reporting Period, we made every effort to facilitate the unveiling of smart service assistants "Nurse Zhe (浙小護)" and "Nurse Xi (熙小護)", and continued to iterate and optimize the application of AI technology in the service assistants that efficiently serve in the scenarios such as service item recommendation, service staff recommendation, whole-process guidance on service orders and replies to users' questions, providing users with a smart, instant and efficient service guidance experience.

In the meantime, on the basis of full insight into the needs of different populations for home care, we continue to integrate multi-level service scenarios, innovate service contents, enrich home care service and rehabilitation service items to meet the needs of the elderly, women and children, chronic patients and postoperative patients for more abundant and more diversified care and rehabilitation. As of December 31, 2024, the number of our service items expanded to 200+ (same period of 2023: 90+).

At present, we have developed a standardized operational system with high replicability and availability to guide the efficient development of operation and expansion in various regions. During the Reporting Period, we focused on the operation of our nursing service business under the guidance of our unique lean operations strategy. With the increased application of AI, information technology and other technologies, we facilitated the continuous growth of our business in existing regions and the replication and rapid growth of our business in newly expanded regions by professional operation and data-driven operation. In addition, we continued to explore multi-channel and cross-business cooperation and expansion to improve user reach and increase user conversion, thereby achieving a substantial increase in the number of paying users for nursing services. As of December 31, 2024, the volume of home care services we provided exceeded 332,000 (same period of 2023: exceeded 154,000), representing a year-on-year increase of 114.9%. Of which, the volume of home care services provided in Zhejiang Province exceeded 261,000 (same period of 2023: exceeded 121,000), representing a year-on-year increase of 115.6%. The volume of nursing consultation services we provided exceeded 324,000 (same period of 2023: exceeded 197,000), representing a year-on-year increase of 64.0%.

During the Reporting Period, the revenue from our nursing service business amounted to RMB56.2 million (same period of 2023: RMB31.6 million), representing a year-on-year increase of 77.7%.

Health Management Services

We adhere to building an integrated lifecycle health management service system from offline to online by focusing on the health of users, and are dedicated to providing users with continuous, comprehensive and specialized one-stop health management services. As of December 31, 2024, we had 9 medical institutions in 9 cities across the country, which were mainly located in Eastern China, Northern China and Southern China.

We insist on strengthening and consolidating our strategic synergies in health management services. Leveraging on the integration of "medical + nursing + health management" resources and the seamless connection of "products + services", we develop integrated "health management +" services for both institutional and individual customers to provide them with more comprehensive, diversified, and sustainable health management service solutions. For institutional customers, we focused on strengthening the connection between products and services in enterprises' health management settings to better help enterprises manage their employees' health.

We continue to deepen our expansion strategy for both institutional and individual customers, exploring the core needs of both types of customers. On the basis of consolidating the loyalty of institutional customers, we increase our reach to individual customers and satisfy their diversified needs through our online retail channels, thus exploring new growth points in revenue from our health management business. We keep deepening the application of cutting-edge technology in health management service scenarios, realizing the optimization of the service experience in the whole process through "AI + Health Management", and create AI technology-supported customized package recommendation, smart guided examination, smart report interpretation, health report analysis and other scenarios to provide users with more intelligent and accurate personal health management solutions.

During the Reporting Period, due to the fierce market competition, the volume of our health management services amounted to 569,000 (same period of 2023: amounted to 589,000), representing a year-on-year decrease of 3.5%. Among them, institutional customers were the major customer group of our health management services, accounting for 89.1%. During the Reporting Period, the volume of institutional customers and individual customers was 507,000 and 62,000 (same period of 2023: 519,000 and 70,000), respectively.

During the Reporting Period, the revenue from our health management service business amounted to RMB228.7 million (same period of 2023: RMB282.4 million), representing a year-on-year decrease of 19.0%.

II. BUSINESS PROSPECTS

As the pioneer of the city-specific cloud hospital model and the leader in serious medical digital transformation in China, we will keep up with the core trends of the internet healthcare in "AI + Whole Course Management" and "Inclusive Home Medical" services. According to the strategic guideline of "Healthy China 2030", we will adhere to our business development strategy empowered by "the providers, the demanders, the payers and the regulators" and focus on the "expansion of coverage of quality medical resources + upgrade of service capability", and deepen the construction of the "home-based medical and nursing services" network to make efforts for the high-quality development of the healthcare ecology while ensuring the compliance, safety and reliability of the services provided on the platform.

We will continue to accelerate the layout and expansion of our city-specific cloud hospital platform in the smart healthcare ecology, fully leverage our brand advantages and integration capabilities of "Internet + Nursing Services", deepen and innovate the contents and products of home medical and nursing services. With our mature and replicable operating model, we enable professional, safe and abundant medical and nursing services to reach more families across China, releasing the scale effect and increasing the market conversion rate of the service resources and user resources connected to the cloud hospital platform.

We will increase the promotion of AI and other technology development and scenario application innovation, deepen the empowerment of artificial intelligence, informatization and digitalization in various business segments, deeply integrate AI and other emerging digital technologies with the "home-based medical and nursing care service" business, control the accuracy of medical and nursing services. We aim to realize the iteration and upgrade as well as the horizontal promotion of platform services and products, and at the same time fully explore the value of data and use digital assets to realize the precision and optimization of business processes and the efficient development growth of business.

We are dedicated to forming a one-stop medical health service platform to better serve our C-users and insist on the implementation of a closely coordinated business integration mechanism. We take the city-specific cloud hospital platform and its accumulated "Medical Services + Nursing Services + Health Management Services" business resources as the foundation to integrate our core business resources, promote diversified business development, further attract and expand industrial ecological resources such as medical equipment, pharmaceutical consumables, health products, finance and insurance, continuously creating more abundant applicating scenarios and ultimately achieving the strategic goal of "developing the city-specific cloud hospital platform economy".

We are committed to becoming the largest city-specific cloud hospital in China, with the highest quality team of doctors and nurses, achieving the widest business coverage and unparalleled reputation. Our dream stems from our understanding and concern for the lives of the people. Through our efforts to bring people real convenience and benefits, we hope that we can offer our quality medical and nursing services to every family, so that every family can have their own "hospital", their own doctors and nurses. We firmly believe in the good business prospects of city-specific cloud hospitals and will spare no effort to create more value for all participants in the healthcare ecosystem, striving tirelessly to achieve the vision of "empowering every family with fair, precise, friendly medical, nursing, and home care services".

III. FINANCIAL REVIEW

Revenue from Contracts with Customers

Our revenue decreased by 6.7% to RMB501.5 million for the year ended December 31, 2024 from RMB537.7 million for the year ended December 31, 2023, mainly attributable to the decrease in revenue from health management services.

Medical Services

Revenue generated from our medical services segment decreased by 3.1% to RMB216.7 million for the year ended December 31, 2024 from RMB223.7 million for the year ended December 31, 2023, mainly attributable to the continued weakness of the current economic fundamentals and increasingly fierce market competition, which resulted in fewer project opportunities and delays in projects in cooperation with local governments.

Nursing Services

Revenue generated from our nursing services segment increased by 77.7% to RMB56.2 million for the year ended December 31, 2024 from RMB31.6 million for the year ended December 31, 2023, mainly attributable to our rapid replication achieved through marketing and professional operation which gradually demonstrated economies of scale of nursing services, as well as enhancement of operational efficiency through information technology, digitization and AI empowerment.

Health Management Services

Revenue generated from our health management services segment decreased by 19.0% to RMB228.7 million for the year ended December 31, 2024 from RMB282.4 million for the year ended December 31, 2023, mainly attributable to the increasingly fierce market competition and the continued weakness of economic fundamentals, which led companies to reduce the expenditure on their employees' health management.

Cost of Sales and Services

Our cost of sales and services decreased by 5.1% to RMB354.0 million for the year ended December 31, 2024 from RMB373.1 million for the year ended December 31, 2023, mainly attributable to the decrease in revenue.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 10.4% to RMB147.5 million for the year ended December 31, 2024 from RMB164.6 million for the year ended December 31, 2023.

During the Reporting Period, the gross margins of medical services, nursing services and health management services, amounted to 23.4%, 25.3% and 36.2% (2023: 22.4%, 40.9% and 35.9%) respectively. Our gross margin decreased to 29.4% for the year ended December 31, 2024 from 30.6% for the year ended December 31, 2023, mainly attributable to the decrease in our platform management fees charged to third-party medical institutions as a percentage of the service fees charged by such institutions to patients, while the gross margin of platform management fees is inherently higher.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 31.2% to RMB66.2 million for the year ended December 31, 2024 from RMB96.3 million for the year ended December 31, 2023, mainly attributable to: (i) the continuous strengthening of production control and the constant improvement of resource allocation efficiency; and (ii) the decrease in share-based compensation expenses.

Research and Development Expenses

Our research and development expenses decreased by 24.4% to RMB42.0 million for the year ended December 31, 2024 from RMB55.6 million for the year ended December 31, 2023, mainly attributable to the continuous optimization of organizational effectiveness, resulting in a decrease in manpower and related expenses.

Administrative Expenses

Our administrative expenses decreased by 29.7% to RMB83.2 million for the year ended December 31, 2024 from RMB118.4 million for the year ended December 31, 2023, mainly attributable to (i) the fact that the Group was listed on the Stock Exchange on September 28, 2023 and no longer incurred listing expenses during the Reporting Period, which resulted in a significant decrease in expenses; and (ii) the decrease in share-based compensation expenses.

Other Income

Our other income increased by 287.4% to RMB16.1 million for the year ended December 31, 2024 from RMB4.2 million for the year ended December 31, 2023, mainly attributable to (i) increased returns from investment in wealth management products; and (ii) increased government grants.

Other Gains/(Losses), Net

We recorded net other gains of RMB4.7 million for the year ended December 31, 2024, compared to the net other losses of RMB1.6 million for the year ended December 31, 2023.

Finance Income and Finance Costs

Our finance income after deducting net finance costs decreased by 81.5% to RMB6.1 million for the year ended December 31, 2024 from RMB33.1 million for the year ended December 31, 2023, mainly attributable to (i) an increase in interest income; and (ii) no interest expenses incurred for financial liability for redeemable rights.

Share of Losses of Associates

Our share of losses of associates increased by 254.0% to RMB17.4 million for the year ended December 31, 2024 from RMB4.9 million for the year ended December 31, 2023, mainly attributable to an increase in losses of associates.

Income Tax Credit/(Expense)

We recorded an income tax credit of RMB0.1 million for the year ended December 31, 2024, compared to an income tax expense of RMB7.3 million for the same period in 2023, mainly attributable to an increase in deferred income tax credit.

Loss for the Year

As a result of the foregoing, our loss for the Reporting Period decreased by 45.9% to RMB83.8 million for the year ended December 31, 2024 from RMB154.9 million for the year ended December 31, 2023.

Adjusted Net Loss

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

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

	Year ended December 31,	
	2024	2023
	(RMB in thousands)	
Loss for the year	**(83,845)**	(154,892)
Add: Share-based compensation expenses	**8,579**	29,822
Add: Interest expenses for financial liability with redeemable rights	**–**	9,677
Adjusted net loss for the year (non-HKFRS measure)	**(75,266)**	(115,393)

The non-HKFRS measure, adjusted net loss for the year, used by us has been adjusted for (i) share-based compensation expenses and (ii) interest expenses for financial liability for redeemable rights. In particular, the share-based compensation expenses are a non-cash expense arising from granting share-based awards to selected employees. Meanwhile, the redeemable rights arose from an investment agreement entered into by the Company and an investor in round C Pre-IPO investments of the Company, pursuant to which the Company has an obligation to repurchase its ordinary shares issued to such investor. The redeemable rights were recognized as a financial liability and such recognition was automatically terminated upon the listing. As a result, we did not have any additional interest expenses for financial liability with redeemable rights during the Reporting Period.

Our adjusted net loss (non-HKFRS measure) decreased from RMB115.4 million for the year ended December 31, 2023 to RMB75.3 million for the year ended December 31, 2024. For the year ended December 31, 2024, the decrease in our adjusted net loss (non-HKFRS measure) was mainly because (i) during the Reporting Period, the Group's nursing services gradually demonstrated economies of scale, effectively improving organizational effectiveness and resource allocation efficiency, and enhancing operational efficiency through information technology, digitization and AI empowerment, which resulted in a significant decrease in expenses; and (ii) the Group used funds in a more efficient manner, and made reasonable use of temporarily idle proceeds from the Global Offering, which increased the rate of return on idle funds of the Company.

Contingent Liabilities

As of December 31, 2024, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future.

As of December 31, 2024, we did not have any significant contingent liabilities (as of December 31, 2023: nil).

Capital Expenditures

During the Reporting Period, we incurred capital expenditures of RMB13.4 million mainly for purchases of property, plant and equipment (for the year ended December 31, 2023: RMB4.3 million).

Pledge of Assets

As of December 31, 2024, the Group did not pledge any assets (as of December 31, 2023: nil).

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Proceeds from the Global Offering" herein, as of December 31, 2024, the Group did not have any other plans for material investments or capital assets.

Liquidity and Capital Resources

Historically, we have funded our working capital primarily from bank borrowings and equity financing. As of December 31, 2024, we had cash and cash equivalents of RMB760.9 million (as of December 31, 2023: RMB676.8 million). We expect to use a portion of the proceeds from the Global Offering (within the meaning of the Prospectus of the Company dated September 18, 2023) to fund our working capital requirements. We currently do not have any plans for material additional external financing.

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,	
	2024	2023
	(RMB'000)	
Cash generated from/(used in) operations	**9,058**	(20,070)
Interest received	**19,941**	3,354
Income taxes paid	**(7,435)**	(3,442)
Net cash generated from/(used in) operating activities	**21,564**	(20,158)
Net cash generated from/(used in) investing activities	**110,452**	(146,597)
Net cash (used in)/generated from financing activities	**(56,562)**	504,768
Net increase in cash and cash equivalents	**75,454**	338,013
Cash and cash equivalents at the beginning of the period	**676,794**	350,748
Effects of exchange rate changes on cash and cash equivalents	**8,609**	(11,967)
Cash and cash equivalents at the end of the period	**760,857**	676,794

Net Cash Generated from Operating Activities

Our cash flows from operating activities reflect: (i) cash generated from operations; and (ii) other cash items (such as interest received and income tax paid).

For the year ended December 31, 2024, we had net cash generated from operating activities of RMB21.6 million, which represents our cash generated from operations of RMB9.1 million and other cash items of RMB12.5 million.

Net Cash Generated from Investing Activities

For the year ended December 31, 2024, we had net cash generated from investing activities of RMB110.5 million, which was mainly attributable to (i) subscription amount for our wealth management products of RMB224.7 million; and (ii) redemption amount for our wealth management products of RMB343.8 million.

Net Cash Used in Financing Activities

For the year ended December 31, 2024, we had net cash used in financing activities of RMB56.6 million, which was mainly attributable to payments of lease liabilities of RMB26.6 million and payments for interests of RMB23.5 million.

Borrowings

As of December 31, 2024, the aggregate principal balance of our borrowings was RMB509.9 million (as of December 31, 2023: RMB509.4 million). As of December 31, 2024, RMB0.1 million of our banking facilities remained unutilized (as of December 31, 2023: RMB102.5 million).

As of December 31, 2024, all of our borrowings were bank loans. The maturity dates of our outstanding borrowings fall on or before November, 2025.

Significant Investments Held

During the Reporting Period, the significant investments held by the Company are as follows:

		As at December 31, 2024				Year ended December 31, 2024	
Name of the investee company	Principal business	Investment cost (RMB'000)	Shareholding percentage	Carrying amount (RMB'000)	Percentage of total assets of the Group	Dividend distributed (RMB'000)	Investment loss in associates (RMB'000)
Dalian Xikang Yunshe Kang Travel Investment Management Co., Ltd.	Operation and management of health preserving hotels	100,000	11.83%	83,039	6.59%	–	(5,489)
Neusoft Management Consulting (Shanghai) Co., Ltd.	Business consulting service, including, among others, medical devices	96,436	49.00%	86,520	6.86%	–	(11,945)

Note:

The Group's investments in associates set out above were made before the listing and held during the Reporting Period. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. All associates are unlisted companies, and there is no quoted price or fair value available.

Through the investments in Dalian Xikang Yunshe Kang Travel Investment Management Co., Ltd., we provide hotel guests with a series of health management services. Neusoft Management Consulting (Shanghai) Co., Ltd. mainly holds a property, which is used by the Group to provide health management services. Accordingly, the Directors believe that investments in Dalian Xikang Yunshe Kang Travel Investment Management Co., Ltd. and Neusoft Management Consulting (Shanghai) Co., Ltd. could bring synergistic effects to our Group, which is conducive to our future development.

Save as disclosed above, during the Reporting Period, the Company did not hold any other significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at December 31, 2024). For cash management purposes, we subscribed for wealth management products. During the Reporting Period, none of the subscriptions of such wealth management products with a single financial institution was required to be disclosed under Chapter 14, Chapter 14A or paragraph 32(4) of Appendix D2 of Listing Rules.

Capital Commitments

As of December 31, 2024, we did not have any material capital commitments (as of December 31, 2023: nil).

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

For the year ended December 31, 2024, our Company did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Directors' Report

The Board presents the directors' report of the Company, together with the audited financial statements of the Group for the year ended December 31, 2024.

Principal Businesses

The Company is a leader in city-specific cloud hospital platform, and nurtured a cloud hospital network that connects local governments, medical institutions, patients and insurers to enable equitable access to medical resources and more effective and efficient delivery of healthcare.

Business Review and Analysis of Key Indicators of Financial Performance

Please refer to the section headed "Management Discussion and Analysis" in this annual report, which forms an integral part of this directors' report.

Environmental, Social and Governance Matters of the Company

The Company believes that its future growth is based on the integration of social values into its business. The Company is committed to working on the environmental, health and safety, employment and community issues that its operations affect, and to working with its stakeholders to promote the sustainable development of the industry in which the Company operates. The Company undertakes all reasonable efforts to ensure compliance with all applicable national and local safety, health, labor and environmental obligations. The Board will assess the overall risks and monitor our Group's existing ESG risk management methods and internal controls, and necessary improvement shall be implemented to mitigate the relevant risks. Our Board and its ESG working group shall maintain oversight of our Group's approach to risk management, including climate-related risks, and risks shall be reviewed as part of the standard operating processes to ensure the appropriate mitigation is in place as part of regular management reviews. Upon periodic review of ESG-related risks, and our Group's performance in addressing the risks, the Company will revise and adjust the ESG strategies as appropriate. Please refer to the section headed "Environmental, Social and Governance Report" set out in this annual report for details of the Company's environmental protection, social responsibilities and staff care and so on.

Compliance with Relevant Laws and Regulations

So far as is known to the Board and management, during the Reporting Period, the Group has, in all material aspects, complied with the relevant laws and regulations that have a material impact on the business and operations of the Group. For the year ended December 31, 2024, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Major Risks and Uncertainties

Risks Relating to Our Business and Industry

- The Company is subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect the Company's business and prospects. The application and scalability of the Company's city-specific cloud hospital platform model in new regions may be affected by factors beyond the Company's control;

- The suspension of direct settlement by the social medical insurance system on the Company's cloud hospital platforms may adversely affect the Company's business, financial conditions and results of operations;

- The Company may be subject to medical liability claims or claims under consumer protection laws, including health and safety claims and product liability claims;

- Evolving and extensive regulatory requirements in the PRC regarding doctor management may affect the Company's business operations and prospects; and

- The Company may not be able to recoup the investments it made in research and development, which, in turn, could adversely impact the Company's financial condition and results of operations.

For details of the risks relating to our business and industry faced by the Company, please refer to the section headed "Risk Factors" in the Company's Prospectus.

Financial Risks

Foreign exchange risk

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

The Company operates mainly in the PRC with most of the transactions settled in US dollar and Renminbi respectively as the functional currency. The management of the Company considers that the Company's business is not exposed to any significant foreign exchange risk as the Company has no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of the Company's entities. As of December 31, 2024, our Company did not hold any financial instruments for hedging purposes (as of December 31, 2023: nil).

Gearing ratio

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities which are considered as borrowings and total lease liabilities less cash and cash equivalents. As at December 31, 2024, the gearing ratio was not applicable as the Group recorded net cash position.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with a floating interest rate. The increase/(decrease) of the variable interest rate by 0.5% will lead to the increase/(decrease) in the Group's loss before tax by RMB1.6 million (2023: RMB2.5 million).

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Share Capital

For the year ended December 31, 2024, details of movements in the total share capital of the Company are set out in Note 31 to the financial statements.

Distributable Reserves

As of the end of the Reporting Period, the Company had no retained profit available for distribution to its shareholders.

Details of changes in reserves of the Company during the Reporting Period are set out in Note 32 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 12 respectively.

As at the end of the Reporting Period, save as disclosed above, the Group did not own any other properties for investment purposes or held for development and/or sale where the percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5%.

Major Customers and Suppliers

For the year ended December 31, 2024, the Company's total sales to the five largest customers accounted for less than 30% of the Company's total sales.

For the year ended December 31, 2024, the Company's total purchases from five largest suppliers accounted for 47.2% of the Company's total purchases. The Company's total purchases from the largest supplier accounted for 36.1% of the Company's total purchases.

For the year ended December 31, 2024, Neusoft Medical Systems Co., Ltd. (a company in which Neusoft Corporation held 26.85% of equity interests and Neusoft Holdings, the single largest shareholder of Neusoft Corporation, held 8.34% of equity interests) was the third largest customer of the Group.

Save as disclosed above, to the knowledge of the Directors, for the year ended December 31, 2024, none of the Directors, their associates or any shareholders of the Company who to the knowledge of the Directors were interested in more than 5% of the share capital (excluding treasury shares) of the Company had an interest in the five largest customers or the five largest suppliers of the Group during this year.

Key Relationships with Stakeholders

The Group recognizes the importance of maintaining good relationships with its stakeholders (including shareholders, employees, suppliers, customers and other business partners), which is critical to the Group's success. The Group will continue to ensure effective communication and maintain good relationships with its respective stakeholders. The Company's key relationships with its main stakeholders are set out in the section headed "Environmental, Social and Governance Report" in this annual report.

Connected Transactions and Continuing Connected Transactions

Connected Persons of the Company

As at the end of the Reporting Period, the Company and its subsidiaries have entered into certain transactions with the following connected persons, and such transactions will constitute non-fully exempt connected transactions or continuing connected transactions:

Connected Person	Connected Relationship
Neusoft Holdings	As of December 31, 2024, Neusoft Holdings indirectly held approximately 20.41% interest in the share capital of the Company, and is a substantial shareholder and a connected person of the Company pursuant to Chapter 14A of the Listing Rules.
Neusoft Corporation	As of December 31, 2024, Neusoft Corporation indirectly held approximately 24.43% interest in the share capital of the Company, and is a substantial shareholder and a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

1. Lease Agreement

On 8 October 2024, Xikang Medical System, an indirect wholly-owned subsidiary of the Company, renewed the Original Lease Agreement and entered into the 2024 Lease Agreement with Neusoft Corporation (the "**2024 Lease Agreement**"), pursuant to which Xikang Medical System (as the lessee) agreed to lease the Properties from Neusoft Corporation (as the lessor), with a term from 9 October 2024 to 8 October 2027. The Properties are located at Rooms 407, 408 and 409, No. 175-3, Chuangxin Road, Hunnan District, Shenyang, with a gross floor area of 2,265.17 sq.m., and it will be used for office purposes. During the lease term, the total rent of the Properties amounts to RMB3,737,530.50 (inclusive of tax), and the total property management fees for the Properties amount to RMB271,820.40 (inclusive of tax) per annum. The entering into of the 2024 Lease Agreement by Xikang Medical System can provide it with stable and necessary office premises to satisfy its business operation needs.

In accordance with HKFRS 16 "Leases", the payment of rent to be made by Xikang Medical System under the 2024 Lease Agreement will be recognised as a right-of-use asset and will be regarded as an acquisition of assets by the Group for the purpose of the Listing Rules. The payment of the property management fees to be made by Xikang Medical System under the 2024 Lease Agreement will be recognised as expenses of the Group over the lease term of the 2024 Lease Agreement. As such, pursuant to Chapter 14A of the Listing Rules, the payment of rent under the 2024 Lease Agreement constitutes a one-off connected transaction of the Company, and the payment of property management fees under the 2024 Lease Agreement constitutes a continuing connected transaction of the Company.

As the highest applicable percentage ratio in respect of the total value of the right-of-use asset to be recognised by the Group under the 2024 Lease Agreement is more than 0.1% but less than 5%, the transactions contemplated under the 2024 Lease Agreement and the payment of rent thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Given that all applicable percentage ratios in respect of the annual amount of the property management fees are less than 0.1%, the payment of property management fees is exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the 2024 Lease Agreement are set out in the announcement of the Company dated October 8, 2024.

2. Health Management Service Framework Agreement

The Company and Neusoft Corporation (together with its associates) have renewed a health management service framework agreement on December 18, 2023, pursuant to which the Company will provide health management services to the employees of Neusoft Corporation and its associates for the benefit of their employees for a period commencing from January 1, 2024 to December 31, 2024 (both days inclusive) (the "**2024 Health Management Service Framework Agreement**").

Our Directors consider that the provision of health management services to Neusoft Corporation and/or its associates would benefit our Company for the following reasons: 1. since the core business of the Company includes providing medical and healthcare services to individual customers, the provision of check-up and health management services is in line with our Company's ordinary and usual course of business; 2. we can further increase our Company's user base through the provision of services to the employees of Neusoft Corporation and/or its associates, who may further refer our Company's services to other potential customers; and 3. the provision of health management services to Neusoft Corporation and/or its associates will also contribute to the Company's revenue.

The service fees will be determined by the parties at an arm's length negotiations with reference to (i) number of employees of Neusoft Corporation and/or its associates who are entitled to enjoy such health management services; (ii) specific scope of service included in the relevant health management and check-up plans; and (iii) service fees offered by the Group to independent third party customers at the time of providing the relevant service, and will be no less favorable to the Group than such fees offered to other independent third parties. In particular, When determining the prices for providing underlying services, the Company will take account of the pricing and terms set for similar transactions with at least two independent third parties, so as to ensure the pricing terms set by the Group with the connected persons are no less favorable to those set with other independent third parties.

Under the 2024 Health Management Service Framework Agreement, set out below are the annual cap for the transaction amount paid by Neusoft Corporation and/or its associates to the Company and the actual transaction amount in respect of the provision of health management services for the year ended December 31, 2024:

	For the year ended December 31, 2024	
	Transaction annual cap	Actual transaction amount
	(RMB in millions)	
Service fees paid by Neusoft Corporation to the Company	6.0	5.1

As the highest applicable percentage ratio (other than the profits ratio) in respect of the annual cap for the continuing connected transactions contemplated under the 2024 Health Management Service Framework Agreement for the year ended December 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Further details of the 2024 Health Management Service Framework Agreement are set out in the announcement of the Company dated December 18, 2023 and January 16, 2024.

On December 24, 2024, the Company renewed the 2024 Health Management Service Framework Agreement and entered into 2025 Health Management Service Framework Agreement with Neusoft Corporation (together with its associates), with a term commencing from January 1, 2025 and ending on December 31, 2025 (both days inclusive). The transaction annual cap was RMB6.0 million during the agreement term. For details, please refer to the announcements of the Company dated December 24, 2024.

3. IT Cooperation Framework Agreement

The Company renewed the cooperation framework agreement with Neusoft Corporation (together with its associates) on December 18, 2023, pursuant to which each of our Group and Neusoft Corporation (together with its associates) has agreed to provide several types of IT products or services to each other. The IT Cooperation Framework Agreement will have a term from January 1, 2024, to December 31, 2024 (the "**2024 IT Cooperation Framework Agreement**").

Our Company has established a long-term cooperation with Neusoft Corporation and/or its associates, which enabled both our Company and Neusoft Corporation to acquire a comprehensive understanding of each other's business and operational requirements as well as to establish a great foundation for mutual trust. It is expected that, leveraging each other's competitive advantages, Neusoft Corporation could provide quality IT products and/or technology support to our Group's operation and satisfy the needs of our Company's client; while our Company, on the other hand, could also leverage our own expertise in online healthcare business and our technology capabilities and understanding in this regard to provide Neusoft Corporation or its clients with customized technology services.

Details of the types of IT services or products provided under the 2024 IT Cooperation Framework Agreement primarily consist of the following:

IT services and products provided by our Group to Neusoft Corporation (together with its associates)

Leveraging the Company's expertise in online healthcare, the Company may, from time to time, be engaged by Neusoft Corporation (together with its associates) to provide, for the benefit of its clients, cloud hospital-related software development and technical services for development of customized online healthcare software or operating systems according to the business needs of such client. The relevant products and services generally include healthcare-related module design, implementation and testing, design of contingency plan, training and security testing, etc.

IT services and products provided by Neusoft Corporation (together with its associates) to our Group

Neusoft Corporation (together with its associates) may, from time to time, be engaged by the Company to provide, for the benefit of the Company's clients, hospital software products and/or services for their day-to-day operation. Further, Neusoft Corporation (together with its associates) may also, from time to time, provide general IT products and/or maintenance services, including operating system updates and regular preventive maintenance to our Group (as the case may be).

Subject to terms of the 2024 IT Cooperation Framework Agreement, each party will enter into specific agreements or place purchase orders with the other to set out specific terms and conditions in respect of the services abovementioned. The consideration payable by our Group or Neusoft Corporation and/or its associates (as the case may be) under the 2024 IT Cooperation Framework Agreement will be paid at the time and according to the method agreed in specific agreements and purchase orders.

For software products and/or services provided by the Company or Neusoft Corporation (together with its associates) (as the case may be) for the benefit of the other party's clients, the fees will be determined by the parties at arm's length negotiations with reference to the total bidding price submitted by the Company or Neusoft Corporation (together with its associates) (as the case may be) to the clients, the prevailing market price and consideration of various factors, including, the number of stages involved in software development and maintenance, the nature and technical features of the software, and the expected timeframe for delivery etc., and will be no less favorable to the Group than the fees offered to or charged by other independent third parties.

With respect to the general IT product and/or maintenance services provided by Neusoft Corporation (together with its associates) to the Group, the fee rates will be determined by the parties at arm's length negotiations with reference to the prevailing market price and consideration of various factors, including, the costs of labor, the costs of maintenance, the nature and technical features of the relevant services provided, etc., and will be no less favorable to the Group than the fees offered to or charged by other independent third parties.

Under the 2024 IT Cooperation Framework Agreement, (i) for software products and/or services provided by Neusoft Corporation for the benefit of the Company's clients, the Company will seek quotation from at least two independent third parties for the provision of such services through bidding procedure (where applicable). The Company will compare the pricing and other terms provided by the bidder before entering into the software products and/or services agreements with any subcontractor; (ii) in the case of the software products and/or services provided by the Company for the benefit of Neusoft Corporation's clients, the Company will make reference to the pricing and terms between the Company and at least two independent third parties for similar transactions in determining the price for providing the relevant services; and (iii) in the case of the general IT products and/or maintenance services provided by Neusoft Corporation (together with its associates) to the Group, the Company will seek quotation from at least two independent third parties for the provision of same services through bidding procedure (where applicable). The above measures are adopted to ensure that the pricing terms with the connected person will be no less favorable to the Group than those with other independent third parties.

In relation to the 2024 IT Cooperation Framework Agreement, the annual caps and actual transaction amounts for the year ended December 31, 2024 are set out below:

	For the year ended December 31, 2024	
	Proposed annual caps	Actual transaction amounts
	(RMB in millions)	
Fees paid by Neusoft Corporation to the Company	16.0	0.2
Fees paid by the Group to Neusoft Corporation	15.0	3.9

As the highest applicable percentage ratio (other than profits ratio) of the transactions under the 2024 IT Cooperation Framework Agreement For the year ended December 31, 2024 calculated for the purpose of Chapter 14A of the Listing Rules exceeds 0.1%, but less than 5% on an annual basis, the transactions under the agreement constitute continuing connected transactions of the Company subject to the reporting, announcement and annual audit requirements under the Chapter 14A of the Listing Rules, but exempt from the independent Shareholders' approval requirement. Further details of the 2024 IT Cooperation Framework Agreement are set out in the announcements of the Company dated December 18, 2023 and January 16, 2024.

On December 24, 2024, the Company renewed the 2024 IT Cooperation Framework Agreement and entered into 2025 IT Cooperation Framework Agreement with Neusoft Corporation (together with its associates), with a term commencing from January 1, 2025 and ending on December 31, 2025 (both days inclusive). During the agreement term, the transaction amount paid by Neusoft Corporation and/or its associates to the Company in respect of the IT products and services provided shall not exceed RMB16 million, and the transaction amount paid by the Company to Neusoft Corporation and/or its associates in respect of the IT products and services provided shall not exceed RMB15 million. For details, please refer to the announcement of the Company dated December 24, 2024.

4. Contractual Arrangements

For details, please refer to the section headed "Directors' Report – Contractual Arrangements" in the annual report.

Confirmation by independent non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions ("**Continuing Connected Transactions**") described in the section headed "Connected Transactions and Continuing Connected Transactions" above and have confirmed that the continuing connected transactions that occurred during the Reporting Period were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better;

(c) on terms that are fair and reasonable according to the agreements regulating such transactions; and

(d) in the interests of the Shareholders as a whole.

Confirmation by the auditor

Ernst & Young, the Company's auditor, has confirmed in the letter to the Board that, none of below shall draw the attention of the auditor which causes it to believe that the continuing connected transactions have been disclosed, with respect to the aforesaid continuing connected transactions entered into for the year ended December 31, 2024:

a. the transactions have not been approved by the Board of the Company;

b. the transactions involving the provision of goods or services by the Group were not conducted, in all material respects, in compliance with the pricing policies of the Company;

c. the transactions were not conducted, in all material respects, in accordance with the relevant agreements governing such transactions;

d. with respect to the aggregate amount of each of the continuing connected transactions, the amounts of the continuing connected transactions have exceeded the annual caps set by the Company; and

e. for those transactions with Consolidated Affiliated Entities under the contractual arrangements, nothing has come to the auditor's attention that causes it to believe that the Consolidated Affiliated Entities have paid dividends or other distributions to the equity holders of the Consolidated Affiliated Entities and that such dividends or distributions have not been subsequently transferred or assigned to the Group.

A summary of all material related party transactions entered into by the Group during the Reporting Period is set out in Note 38 to the consolidated financial statements. During the Reporting Period, other than the Group's continuing connected transactions above that were subject to disclosure under the Listing Rules, none of the related party transactions disclosed in Note 38 to the consolidated financial statements constituted a disclosable connected transaction or continuing connected transaction under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period. Save as the transactions disclosed herein, no contract of significance or contract of significance for provision of services has been entered into among the Company or any of its subsidiaries and the Consolidated Affiliated Entities and the substantial shareholders.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Memorandum and Articles of Association or the Companies Act of the Cayman Islands which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

PROCEEDS FROM THE GLOBAL OFFERING

On September 28, 2023, the Shares of our Company were listed on the Main Board of the Stock Exchange, with a total of 133,805,500 Shares issued at an offer price of HK$4.76. The net proceeds from the Global Offering (the "**Proceeds**"), after deducting the underwriting commissions and other offering expenses payable by us in connection with the Global Offering, were approximately HK$554.5 million (the over-allotment option was not exercised), which will be used in accordance with the use of Proceeds as disclosed in the Prospectus from the Listing Date as follows:

- approximately 30% of the net Proceeds, for expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base;

- approximately 25% of the net Proceeds, for enriching our offerings across the industry value chain to provide more professional and diversified healthcare services;

- approximately 25% of the net Proceeds, for research and development on technology infrastructure and data capabilities;

- approximately 10% of the net Proceeds, for potential mergers and acquisitions opportunities;

- approximately 10% of the net Proceeds, for working capital and other general corporate purposes.

As of December 31, 2024, the Group's use of the net Proceeds is set out in the table below:

Purpose of use	% of use of Proceeds	Net Proceeds (HK$ million)	Unutilized Amount as at January 1, 2024 (HK$ million)	Utilized amount for the year ended December 31, 2024 (HK$ million)	Unutilized Amount as at December 31, 2024 (HK$ million)	Expected timetable For utilization
Expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base	30%	166.3	166.3	16.2	150.1	By December 31, 2028
Enriching our offerings across the industry value chain to provide more professional and diversified healthcare services	25%	138.6	138.6	10.1	128.5	By December 31, 2028
Research and development on technology infrastructure and data capabilities	25%	138.6	138.6	20.9	117.7	By December 31, 2028
Potential mergers and acquisitions opportunities	10%	55.5	55.5	0.0	55.5	By December 31, 2028
Working capital and other general corporate purposes	10%	55.5	55.5	10.8	44.7	By December 31, 2028

In order to improve the fund utilization efficiency, reasonably utilize the temporarily idle Proceeds, realize value preservation and appreciation of the Proceeds, and protect the interest of shareholders of the Company, the Board resolved on June 13, 2024 that, without prejudice to the normal operating activities of the Company, the Proceeds that are expected to remain idle for more than one year are intended to be used in proper purchases of wealth management products that feature high security, sound liquidity, and can be redeemed at any time, and the amount shall be no more than US$40 million (the equivalent of approximately HK$312.4 million calculated based on the exchange rate published by the People's Bank of China as at the date of relevant Board meeting), for cash management purpose. Such amount can be utilized on a rolling basis within 12 months from the date of the Board's resolution. The return from cash management is accounted to the Company, which will not affect in substance the normal use of the Proceeds in accordance with the intended purposes as disclosed in the Prospectus and the normal operations of the Company. The Board believes that cash management is in the interest of the Company and its shareholders as a whole. In the event that the aforesaid purchases of wealth management products constitute a notifiable transaction under Chapter 14 and/or a connected transaction under Chapter 14A of the Listing Rules in the future, the Company will comply with the relevant requirements under the Listing Rules.

The Company subscribed for wealth management product in an amount of US$15 million from Shenwan Hongyuan Financial Products Company Limited on March 10, 2025. For details, please refer to the announcement of the Company dated March 10, 2025.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries and consolidated affiliated entities have purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited (including sale of treasury shares). As of the end of the Reporting Period, the Company did not hold treasury shares.

CHANGES IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period, Ms. LU Zhaoxia resigned as a non-executive Director of the Company, with effect from March 20, 2024. Mr. XU Hongli was appointed as a non-executive Director on the same date. Please refer to the announcement of the Company dated March 20, 2024 for details.

Dr. CHEN Lianyong resigned as a non-executive Director, a member of the Audit Committee and a member of the Strategy Committee, with effect from April 18, 2025. Dr. QI Guoxian was appointed as a member of the Audit Committee on the same date. Please refer to the announcement of the Company dated April 18, 2025 for details.

Save as disclosed above, there are no changes in the information of Directors and chief executives of the Company which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules during the Reporting Period to the date of this report.

During the Reporting Period, Ms. WANG Shuli resigned as Vice President and Chief Financial Officer of the Company with effect from October 8, 2024, and will no longer hold any position within the Group. Ms. ZHANG Ying was appointed as Vice President and Chief Financial Officer of the Company with effect from October 8, 2024.

Mr. SHAO Shuli and Mr. YANG Yuanwei resigned as vice presidents of the Company with effect from July 20, 2024 and July 22, 2024, respectively. After their resignation, they remained with the Company as senior executives in charge of their respective businesses or regions, and continued to be responsible for the development of the work within the relevant businesses or regions. Mr. LI Ming (李鳴) was appointed as a vice president of the Company with effect from August 29, 2024. Ms. ZHAO Shu was appointed as a joint company secretary of the Company with effect from August 29, 2024.

DEBENTURES IN ISSUE

During the Reporting Period, the Group has not issued any debenture.

SHARE-LINKED AGREEMENTS

Save as the Pre-IPO SOS and Post-IPO SOS disclosed herein, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

CHARITY AND PUBLIC BENEFIT ACTIVITIES

The Group recognizes the importance of giving back to the community in order to promote social development. Over the past year, continually leveraging our advantages in technology and operation, we fulfilled corporate social responsibility by supporting medical aid and patient assistance, joining hands with local governments and hospitals to offer voluntary medical consultation for nursing homes, schools and other institutions, and providing free-of-charge online medical consultation. We proceeded with the promotion of health-related charitable undertakings by providing our public welfare resources.

DIRECTORS

During the Reporting Period and as of the date of this annual report, the Directors are set out as follows:

Chairman and Non-executive Director

Dr. LIU Jiren (劉積仁)

Executive Director

Ms. ZONG Wenhong (宗文紅) *(Chief Executive Officer)*

Non-executive Directors

Mr. XU Hongli (徐洪利) *(Appointed on March 20, 2024)*
Ms. LU Zhaoxia (盧朝霞) *(Resigned on March 20, 2024)*
Dr. WANG Nan (王楠)
Mr. PU Chengchuan (蒲成川)
Dr. CHEN Lianyong (陳連勇) *(Resigned on April 18, 2025)*

Independent Non-executive Directors

Dr. CHEN Yan (陳艷)
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual independence confirmation from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors entered into any service contract with the Company, its subsidiaries or consolidated affiliated entities which could not be terminated within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, unless otherwise disclosed herein, none of the Directors or their connected entities had any material interest, either directly or indirectly, in any transaction, arrangement or contract that was material to the Company, to which the Company, its subsidiaries or its Consolidated Affiliated Entities was a party.

PERMITTED INDEMNITY PROVISIONS

According to the relevant laws and regulations as well as the Memorandum and Articles of Association of the Company, each Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities that he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has purchased insurance against the liabilities and costs associated with proceedings which may be against the Directors.

DIRECTORS' RIGHT TO SUBSCRIBE FOR SHARES OR DEBENTURES

During the Reporting Period, except for the Pre-IPO SOS and Post-IPO SOS disclosed in this annual report, none of the Company, its subsidiaries or consolidated affiliated entities entered into any other arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entities.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors were engaged in, or had interest in, any business which competed or was likely to compete, either directly or indirectly, with the business of the Group and was required to be disclosed under the Hong Kong Listing Rules.

ADMINISTRATIVE MANAGEMENT CONTRACT

During the Reporting Period, the Company did not enter into any administrative management contracts in respect of all or principal businesses of the Company.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this annual report.

Auditor

In view of the recent market information, based on the principle of prudence and considering the existing business situation and the demand for audit services in the future of the Company, after the Company communicated with PricewaterhouseCoopers about the proposed change of auditors, PricewaterhouseCoopers has agreed to resign as the auditor of the Company, with effect from October 21, 2024.

Upon the recommendation of the Audit Committee, the Board has resolved to appoint Ernst & Young as the new auditor of the Company, with effect from October 21, 2024, to fill the casual vacancy created by the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the next annual general meeting of the Company. A resolution will be proposed at the 2025 Annual General Meeting to re-elect Ernst & Young as auditor to hold office from the date of conclusion of 2025 Annual General Meeting until conclusion of 2026 Annual General Meeting of the Company. Prepared in accordance with the Hong Kong Financial Reporting Standards, the Company's financial statements For the year ended December 31, 2024 have been audited by Ernst & Young. For details of changes in auditor, please see the announcement of the Company dated October 21, 2024.

Save as disclosed above, the Company has not changed its auditor for the past three years.

DIVIDENDS

The Board did not recommend the distribution of any final dividend for the year ended December 31, 2024 (2023: nil).

There was no arrangement under which a Shareholder has waived or agreed to waive any dividends during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2024, the Company had 855 full-time employees, all of whom are based in China. The following table sets forth the breakdown of the Company's employees by function as of December 31, 2024:

Function	Number of Employees	% of Total
Management and administration	139	16.3
Sales and marketing and operational support	213	24.9
Research and development	152	17.8
Health management	351	41.0
Total	**855**	**100.0**

For the year ended December 31, 2024, the compensation and benefits expenses of the Company paid to its employees were RMB166.1 million (2023: RMB193.5 million). As of December 31, 2024, among all of the Company's 855 employees, 479 employees had bachelor's degrees or above, accounting for 56.0% of the Company's total employees.

The Company is committed to establishing competitive and fair remuneration. In order to effectively motivate the Company's employees, the Company continually refines its remuneration and incentive policies through market research. The Company conducts performance evaluations for employees semi-annually to provide feedback on their performance. Compensation for employees typically consists of basic salary and a performance-based bonus. The Company also adopted two share option schemes to enhance the enthusiasm, sense of responsibility and sense of mission of our employees, thereby aligning the interests of our employees with the interests of the Company. For details of the share option schemes, please refer to the section headed "Share Option Schemes" in this report.

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

The Group provides employees with adequate job training to equip them with practical knowledge and skills. The Company also conducts introductory training for new staff.

As of the date of this report, the Company did not have any strikes, protests or other material labor conflicts that materially impair the Company's business and image.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ITS ASSOCIATED CORPORATIONS

As of December 31, 2024, the interests and short positions of the Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) to be otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules are set out as follows:

Name of Director	Nature of interest	Number and class of securities(1)	Approximate percentage of interest in our Company(2)
Dr. LIU(2)	Interest in controlled corporations	193,252,305 (L) ordinary Shares	22.95%
Ms. ZONG Wenhong(3)(4)	Interest in controlled corporations	21,004,500 (L) ordinary Shares	2.49%
	Beneficial owner	14,500,000 (L) ordinary Shares	1.72%
Dr. WANG Nan(3)	Interest in controlled corporations	21,004,500 (L) ordinary Shares	2.49%

Notes:

(1) The table above was based on a total of 841,876,805 Shares as at the end of the Reporting Period.

(2) Smartwave, Dongkong International Fifth and Dongkong International Seventh directly held 81,364,000 Shares, 68,384,305 Shares and 22,100,000 Shares of our Company, respectively, in an aggregate of 171,848,305 Shares. Since each of Smartwave, Dongkong International Fifth and Dongkong International Seventh is wholly owned by Neusoft Holdings through various intermediary entities, Neusoft Holdings was deemed to have an interest in an aggregate of 171,848,305 Shares of our Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh by virtue of the SFO.

Neusoft Holdings is a Sino-foreign joint venture with limited liability incorporated in the PRC. As of the end of the Reporting Period, Dalian Kang Ruidao Management Consulting Centre (Limited Partnership)* (大連康睿道管理諮詢中心(有限合夥)) ("**Dalian Kang Ruidao Management**") was the single largest shareholder of Neusoft Holdings, holding 29.65% of its total shares. Neusoft Thinking Technology, the fourth largest shareholder of Neusoft Holdings, held approximately 10.82% of its total shares. Dalian Kang Ruidao Management held 99% of the total shares of Neusoft Thinking Technology. Therefore, Dalian Kang Ruidao Management effectively controlled approximately 40.47% of the total shares of Neusoft Holdings. By virtue of the SFO, Dalian Kang Ruidao Management was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

Dalian Kang Ruidao Management is a limited partnership incorporated in the PRC. As of the end of the Reporting Period, Tianjin Zengdao Management Consultancy Center (Limited Partnership)* (天津增道管理諮詢中心(有限合夥)) ("**Tianjin Zengdao**") held 38.62% of the capital contribution by Dalian Kang Ruidao Management. Shenyang Kang Ruidao Consulting Co., Ltd.* (瀋陽康睿道諮詢有限公司) ("**Shenyang Kang Ruidao**") was the managing partner of both Dalian Kang Ruidao Management and Tianjin Zengdao. Dr. LIU was the representative of managing partner designated by Shenyang Kang Ruidao to Dalian Kang Ruidao Management, and he also held 64.23% partnership interest of Tianjin Zengdao and 60% equity interest in Shenyang Kang Ruidao. Kang Ruidao International Investment Inc. ("**Kang Ruidao International Investment**") directly holds 21,404,000 Shares of the Company, and Dr. LIU holds 34.76% interest in Kang Ruidao International Investment through his wholly-owned company, Kang Ruidao Education First Investments Ltd. (康睿道教育第一投資有限公司). By virtue of the SFO, Dr. LIU was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth, Dongkong International Seventh and Kang Ruidao International Investment, which are wholly-owned subsidiaries of Neusoft Holdings.

* For identification purpose only

(3) 21,004,500 Shares of our Company were held by KangRich, which is wholly owned by Beijing Kangji Management Consulting Partnership (Limited Partnership)* (北京康驥管理諮詢合夥企業(有限合夥) ("**Beijing Kangji**"). The general partner of Beijing Kangji is Shenyang Ruiqian Business Consulting Co., Ltd.* (瀋陽睿前商務諮詢有限公司) ("**Shenyang Ruiqian**"), which is held as to 50% by Ms. ZONG Wenhong, the Company's executive Director and chief executive officer, and 50% by Dr. WANG Nan, the Company's non-executive Director, and the limited partners of Beijing Kangji are the five limited partners each holding 19.9975% interest in Beijing Kangji (the "**Five LPs of Kangji**"). Shenyang Ruiqian is interested in 0.02% in Beijing Kangji. As of December 31, 2024, there were a total of 103 partners (including former employees of the Company) in the Five LPs of Kangji, including Ms. ZONG Wenhong, the Company's executive Director and chief executive officer. None of the 103 employees of the Company is entitled to significant economic interests in the Five LPs of Kangji. Such 21,004,500 Shares held by KangRich were issued pursuant to the 2016 RSU Scheme of the Company adopted in August 2016 for the benefit of its employees. As of the date of the annual report, all the underlying restricted share units under the 2016 RSU Scheme have been exercised by its grantees, and held by KangRich as the shareholding platform on behalf of these employees and former employees. As such, the 2016 RSU Scheme has come to an end and ceased to be effective. Since each of Ms. ZONG Wenhong and Dr. WANG Nan is able to control 50% of the voting power in Shenyang Ruiqian, which is the general partner of Beijing Kangji, Ms. ZONG Wenhong and Dr. WANG Nan are deemed to be interested in the 21,004,500 Shares held by KangRich by virtue of the SFO.

(4) As of the end of the Reporting Period, Ms. ZONG Wenhong has been granted 10,500,000 options under the Pre-IPO SOS and 4,000,000 options under the Post-IPO SOS.

(5) (L) denotes a long position.

Save as disclosed herein, as at the end of the Reporting Period, none of the Directors or the chief executives of the Company held or was deemed to hold any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) to be otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF OUR COMPANY

So far as the Directors or chief executives of our Company are aware, as of December 31, 2024, the following persons (other than the Directors or chief executives of our Company) had interests and/or short positions in the Shares or underlying Shares of our Company which shall be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept pursuant to Section 336 of the SFO or had otherwise notified to the Company:

Name of Shareholder	Nature of Interest	Number of Shares Held	Approximate percentage of interest in our Company[(1)]
Neusoft (HK)[(2)]	Beneficial interest	205,636,210 (L)	24.43%
Smartwave[(3)]	Beneficial interest	81,364,000 (L)	9.66%
Dongkong International Fifth[(3)]	Beneficial interest	68,384,305 (L)	8.12%
PICC P&C	Beneficial interest	101,763,000 (L)	12.09%
Kingset Ventures	Beneficial interest	86,700,000 (L)	10.30%
First Care[(4)]	Beneficial interest	64,728,790 (L)	7.69%
Syn Invest[(5)]	Beneficial interest	42,500,000 (L)	5.05%

* For identification purpose only

Notes:

(1) The table above was based on a total of 841,876,805 Shares as at the end of the Reporting Period.

(2) Neusoft (HK) directly held 205,636,210 Shares of our Company. Neusoft (HK) was a wholly-owned subsidiary of Neusoft Corporation. By virtue of the SFO, Neusoft Corporation was deemed to have an interest in the Shares held by Neusoft (HK).

(3) Smartwave, Dongkong International Fifth and Dongkong International Seventh directly held 81,364,000 Shares, 68,384,305 Shares and 22,100,000 Shares of our Company, respectively, in an aggregate of 171,848,305 Shares. Since each of Smartwave, Dongkong International Fifth and Dongkong International Seventh is wholly owned by Neusoft Holdings through various intermediary entities, Neusoft Holdings was deemed to have an interest in an aggregate of 171,848,305 Shares of our Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh by virtue of the SFO.

Neusoft Holdings is a Sino-foreign joint venture with limited liability incorporated in the PRC. Dalian Kang Ruidao Management was the single largest shareholder of Neusoft Holdings, holding 29.65% of its total shares. Dalian Neusoft Thinking Technology Development Co., Ltd.* (大連東軟思維科技發展有限公司) ("**Neusoft Thinking Technology**"), the fourth largest shareholder of Neusoft Holdings, held approximately 10.82% of its total shares. Dalian Kang Ruidao Management held 99% of the total shares of Neusoft Thinking Technology. Therefore, Dalian Kang Ruidao Management effectively controlled approximately 40.47% of the total shares of Neusoft Holdings. By virtue of the SFO, Dalian Kang Ruidao Management was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

Dalian Kang Ruidao Management is a limited partnership incorporated in the PRC. Tianjin Zengdao held 38.62% of the capital contribution by Dalian Kang Ruidao Management. Shenyang Kang Ruidao was the managing partner of both Dalian Kang Ruidao Management and Tianjin Zengdao. Dr. LIU (the Chairman and non-executive Director of the Company) was the representative of managing partner designated by Shenyang Kang Ruidao to Dalian Kang Ruidao Management, and he also held 64.23% partnership interest of Tianjin Zengdao and 60% equity interest in Shenyang Kang Ruidao. By virtue of the SFO, Shenyang Kang Ruidao, Tianjin Zengdao and Dr. LIU were deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

(4) First Care is owned as to 70% by Suzhou 6 Dimensions Investment Partnership* (蘇州通和毓承投資合夥企業(有限合夥)) ("**Suzhou 6 Dimensions**") and 30% by Suzhou Frontline Phase II Venture Capital Partnership* (蘇州通和二期創業投資合夥企業(有限合夥)) ("**Suzhou Frontline II**"). Suzhou 6 Dimensions is controlled by its general partner, Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) ("**Suzhou Tongyu**"). Suzhou Frontline II is controlled by its general partner, Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership)* (蘇州富沿創業投資管理合夥企業(有限合夥)) ("**Suzhou Fuyan**"). Both of Suzhou Tongyu and Suzhou Fuyan are in turn controlled by Suzhou Yunchang Investment Consulting Limited* (蘇州蘊長投資諮詢有限公司) ("**Suzhou Yunchang**"), a company fully owned by Ms. ZHANG Qiping. By virtue of the SFO, Suzhou 6 Dimensions, Suzhou Frontline II, Suzhou Tongyu, Suzhou Fuyan, Suzhou Yunchang and Ms. ZHANG Qiping were deemed to be interested in the Shares of the Company held by First Care.

(5) Syn Invest is wholly owned by Shenzhen Synergetic Hechuang Investment Management Partnership (Limited Partnership)* (深圳市協同禾創投資管理合夥企業(有限合夥)) ("**Synergetic Hechuang**"). Synergetic Hechuang is managed by Shenzhen Synergetic Innovation Fund Management Co., Ltd.* (協同創新基金管理有限公司) ("**SIFMC**") and owned as to 80% by Shanghai Gopher Xinmian Investment Center (Limited Partnership)* (上海歌斐信勉投資中心(有限合夥)) ("**Shanghai Gopher Xinmian**"). SIFMC and Synergetic Hechuang are ultimately beneficially owned by Dr. LI Wanshou, and Shanghai Gopher Xinmian is controlled by Ms. WANG Jingbo. By virtue of the SFO, Synergetic Hechuang, SIFMC, Dr. LI Wanshou, Shanghai Gopher Xinmian and Ms. WANG Jingbo were deemed to be interested in the Shares of the Company held by Syn Invest.

(6) (L) denotes a long position.

Save as disclosed herein, on December 31, 2024, there is no other person known to the Directors or chief executives of our Company who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part V of the SFO or who is, directly or indirectly, interested in 5% 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.

* For identification purpose only

SHARE OPTION SCHEMES

1. Pre-IPO SOS

(1) Overview

The following is a summary of the principal terms of the Pre-IPO SOS, as amended from time to time, as adopted by the Board on March 29, 2019. All the options under the Pre-IPO SOS ("**Pre-IPO SOS Options**") have been granted in full.

(2) Purpose

For the purpose of achieving strategic goals and fueling the development of our Company, by providing participants with the opportunity to acquire proprietary interests in the Company, the Pre-IPO SOS is expected to encourage the participants to enhance their enthusiasm, sense of responsibility and sense of mission while working, and thereby coordinate interests of our employees with the interests of our Company.

(3) Administration

The Pre-IPO SOS will be administered by the Board and its designated human resource department, and the decision of the Board will be final and binding on all parties.

(4) Participants in the Pre-IPO SOS

The eligible participants in the Pre-IPO SOS ("**Pre-IPO SOS Participants**") include, among others, directors, senior management, core members of our Group that have joined or proposed to join our Group and any other persons as the Board may deem appropriate, subject to the following conditions:

(a) having been working in our Group for no less than one year;

(b) having achieved the performance standards as required by the Board; or

(c) having met the assessment criteria for the grant of Pre-IPO SOS Options as stipulated by the Board.

Subject to approval by our chief executive officer and annual report to our Board, our vice presidents may propose to grant Pre-IPO SOS Options to special participants who fail to satisfy aforesaid requirement (a) or (b), but have made outstanding contribution to our Company or are introduced into our Company as talents. The total Shares granted to these special participants shall not exceed 10% of the total number of Shares that may be issued under this Pre-IPO SOS.

(5) Maximum number of Shares

The total number of the Pre-IPO SOS Shares shall be no more than 81,600,000 Shares, representing approximately 9.69% of the total issued share capital of the Company (excluding treasury shares) as at the date of this annual report.

There is no maximum entitlement for each of the Pre-IPO SOS Participants.

(6) Duration of Pre-IPO SOS

The Pre-IPO SOS commenced on January 1, 2020 as the first grant date determined by the Board and shall continue in effect for a term of ten years, unless being terminated by the Board in advance of its expiry. As at the date of this annual report, the remaining life of the Pre-IPO SOS is approximately 5 years.

(7) Grant of Pre-IPO SOS Options

The Board will, subject to the performance of our Company, review and determine in each year whether Pre-IPO SOS Options shall be granted.

The grant, vesting and exercise of Pre-IPO SOS Options shall comply with the provisions of the Pre-IPO SOS, the relevant resolutions as passed by the Board and the requirements of applicable laws.

No consideration was required to be paid at the acceptance of the Pre-IPO SOS Options.

(8) Rights attached to Pre-IPO SOS Options and Pre-IPO SOS Shares

A Pre-IPO SOS Participant is not entitled to any right of dividend, voting right or other shareholder's interest or right in respect of any Pre-IPO SOS Options or Pre-IPO SOS Shares before exercise of the Pre-IPO SOS Options and the completion of the registration of the Pre-IPO SOS Participant as a Shareholder of our Company.

(9) Rights are personal to the grantee

A Pre-IPO SOS Option is personal to the grantee and no grantee shall in any way sell, pledge, transfer, mortgage, assign or dispose of any Pre-IPO SOS Option unless approved by our Board and stipulated in the grant letter. If any Pre-IPO SOS Options are disposed of in breach of the scheme rules of the Pre-IPO SOS, all Pre-IPO SOS Options (whether vested or not) held by the Pre-IPO SOS Participants will be invalidated. Without prejudice to the foregoing provisions, the provisions of Pre-IPO SOS shall be equally binding on the successor or transferee to the Pre-IPO SOS Participants.

(10) Vesting Schedule

Unless otherwise determined by the Board, the Pre-IPO SOS Options granted will be vested in three years upon (A) fulfilment of the terms of the Pre-IPO SOS and the conditions set out in the relevant grant letter as well as (B) the achievement of performance targets as determined by the Board. The first vesting date will be on the first anniversary of the date of grant of Pre-IPO SOS Options ("**Grant Date**").

(11) Exercise of Pre-IPO SOS Options

Exercise Price

The initial exercise price for Pre-IPO SOS Options shall be US$2.94 per Share (upon Share split on the Listing Date: US$0.588 per share), subject to further adjustment as specified by the Board in the grant letter to the participants and by reference of the market practice and the current value of the Shares. The exercise price was determined with reference to the share price in the latest round of financing prior to the grant date multiplied by a discount.

Exercise Period

Unless otherwise provided in the terms of the Pre-IPO SOS, the validity period of the Pre-IPO SOS Options granted under the Scheme shall be 10 years commencing from the Grant Date. All unexercised Pre-IPO SOS Options shall be terminated and invalidated after the validity period has lapsed.

Exercise of Options

Grantees may exercise the Pre-IPO SOS Options in whole or in part by submitting (i) the Application for the Exercise of Option Incentive《期權激勵行權申請書》to our Company pursuant to the terms of this Pre-IPO SOS and the grant letter and (ii) any other documents as required by the Board. Each application shall be accompanied by a remittance for the aggregate amount of the exercise price multiplied by the number of Shares in respect of which the application is submitted for.

(12) Adjustment

If our Company conducts capitalization from capital public reserve, scrip issue, share subdivision, allotment, share split or similar transactions affecting the Shares, leading to an increase or decrease in the number of issued Shares, the Board shall have the sole discretion to adjust the number, price and other aspects of the Pre-IPO SOS Options. The Board shall notify Pre-IPO SOS Participants in due course after such adjustment has been made.

(13) Details of the Pre-IPO SOS Options granted under the Pre-IPO SOS

As of December 31, 2024, the options under the Pre-IPO SOS in respect of an aggregate of 71,435,300 Shares, representing approximately 8.49% of the Shares as at the date of this annual report (excluding treasury shares), have been granted to the Pre-IPO SOS Participants pursuant to the Pre-IPO SOS, and all these options are still outstanding.

As at December 31, 2024, 353 grantees (excluding those who have resigned and become unqualified) have been granted options under the Pre-IPO SOS in respect of the Pre-IPO SOS Shares. As of January 1, 2024 and December 31, 2024, the number of options available for grant under the scheme mandate of the Pre-IPO SOS were 3,258,500 shares and 10,164,700 shares, respectively (including options which have lapsed and will not be granted again).

Director and senior management

For the year ended December 31, 2024, details of the Directors and members of senior management who were granted Pre-IPO SOS Options are set out as follows:

Name of the grantees	Position held in our Group	Grant Date	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2024	Vesting period	Exercise price (USD/Share)
Directors										
Ms. ZONG Wenhong[1]	Executive Director and chief executive officer	January 1, 2020	2,500,000	–	–	–	–	2,500,000	3 years from Grant Date	0.588
		January 1, 2021	5,000,000	–	–	–	–	5,000,000		
		April 1, 2023	3,000,000	–	–	–	–	3,000,000		
Senior management										
Ms. WANG Shuli[2]	Former vice president and chief financial officer	January 1, 2020	1,250,000	–	–	–	–	1,250,000	3 years from Grant Date	0.588
		January 1, 2021	4,000,000	–	–	–	–	4,000,000		
		April 1, 2023	3,500,000	–	–	–	2,450,000	1,050,000		
Mr. SHAO Shuli[3]	Former vice president	January 1, 2021	2,500,000	–	–	–	–	2,500,000		
Mr. YANG Yuanwei[3]	Former vice president	January 1, 2020	1,250,000	–	–	–	–	1,250,000		
		January 1, 2021	2,500,000	–	–	–	–	2,500,000		

Name of the grantees	Position held in our Group	Grant Date	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2024	Vesting period	Exercise price (USD/Share)
Employees other than Directors and senior management	/	January 1, 2020	10,612,500	–	–	–	920,000	9,692,500	3 years from Grant Date	0.588
		January 1, 2021	28,126,000	–	–	–	616,500	27,509,500		
		July 1, 2021	4,398,000	–	–	–	289,700	4,108,300		
		April 1, 2023	9,705,000	–	–	–	2,630,000	7,075,000		
Total	/		**78,341,500**	**-**	**-**	**-**	**6,906,200**	**71,435,300**		

Notes:

1. As at the end of the Reporting Period, Ms. ZONG Wenhong held a total of 10,500,000 options under the Pre-IPO SOS Options, representing 1.25% of the total issued shares of the Company (excluding treasury shares).

2. Ms. WANG Shuli resigned as the vice president and chief financial officer of the Company with effect from October 8, 2024. Ms. WANG Shuli thereafter ceased to hold any position within the Group with her vested options held under the Pre-IPO SOS exercisable within one year while unvested options to be lapsed in full upon her resignation.

3. Mr. SHAO Shuli and Mr. YANG Yuanwei resigned as the vice presidents of the Company on July 20, 2024 and July 22, 2024, respectively. Upon resignation, they continued to serve as chief executives in charge of businesses or regions within the Company, responsible for the development of related business or regional work.

4. Save as disclosed above, as at the end of the Reporting Period, (i) there are no other grantees who are directors, chief executives, substantial shareholders or their respective associates of the Company; (ii) there was no other grantee that had been granted Pre-IPO SOS Options exceeding 1% of the total number of issued shares (excluding treasury shares); and (iii) there are no other related entity participants or service providers who have been or will be granted options and awards exceeding 0.1% of the total number of issued shares of the Company (excluding treasury shares) in any 12-month period.

5. The exercise period of the options granted under the Pre-IPO SOS is 10 years.

6. The vesting of the pre-IPO share options granted is subject to the performance targets set out in the relevant grant notices.

2. Post-IPO SOS

(1) Overview

The following is a summary of the principal terms of the Post-IPO SOS ("**Post-IPO SOS Rules**"), as conditionally adopted by the Board on May 27, 2021. The terms of the Post-IPO SOS are subject to Chapter 17 of the Listing Rules.

Application has been made to the permission of Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which may be issued pursuant to the exercise of any Post-IPO SOS Options which may be granted under the Post-IPO SOS.

(2) Purpose

The purpose of the Post-IPO SOS is to provide incentives and rewards to participants for their contributions to, and continuing efforts to, promote the interest of, the Company.

(3) Eligibility

Those eligible to participate in the Post-IPO SOS (the "**Post-IPO Eligible Participant**") include, among others, (i) any employee (whether full time or part time), executives or officers, and directors of any member of the Group, any entity in which any member of our Group holds an equity interest, and shall, for the purpose of the Post-IPO SOS Rules, exclude any members of the Group (the "**Invested Entity**") or any business partner; and (ii) any consultant, advisor or agent of any member of the Group, any Invested Entity or any business partner who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity.

During the Reporting Period, the Company has not granted and does not intend to grant any options under the Post-IPO SOS to any consultant, adviser, service provider or agent of any of its business partners.

(4) Exercise price

The exercise price for the Post-IPO SOS Options ("**Exercise Price**") shall be a price determined by the Board or the Chairman (as the case may be) and notified to any grantee of Post-IPO SOS Options (the "**Grantee**") and will be the highest of:

(a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Post-IPO Grant Date, which must be a business day;

(b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Post-IPO Grant Date; and

(c) the nominal value of a Share on the Post-IPO Grant Date.

(5) Offer of the Grant of an Option

The Board or the Chairman (in accordance with their respective discretion so authorized under the Post-IPO SOS) shall be entitled at any time during the operation of the Post-IPO SOS, at its/his sole and absolute discretion, to make an offer of Post-IPO SOS Options to a Post-IPO Eligible Participant by letter in such form as the Board or the Chairman (as the case may be) may from time to time determine (the "**Grant Letter**").

(6) Acceptance of Offer

An offer of Post-IPO SOS Options shall be open for acceptance in writing given by either prepaid post, facsimile transmission, personal delivery or by electronic communication received by the Board or the Chairman (as the case may be), or any person designated by the Board or the Chairman, for such period as the Board or the Chairman (as the case may be) may determine and be notified to the Grantee concerned, provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO SOS or after the Post-IPO SOS has been terminated in accordance with the Post-IPO SOS Rules. An offer of Post-IPO SOS Options not accepted within this period shall lapse. An offer may not be accepted unless the Grantee remains a Post-IPO Eligible Participant on acceptance. An amount of HK$1.00 is payable by the Grantee to the Company within the period specified in the offer, upon acceptance of the offer of Post-IPO SOS Options (unless the Board resolves to waive payment at the time of grant), and such remittance shall not be refundable and shall not be deemed to be a part payment of the Exercise Price.

(7) Exercise of Post-IPO SOS Options

The Grant Letter issued by the Company to the relevant Post-IPO Eligible Participant shall specify details of the Post-IPO SOS Options, including the number of Shares under the Post-IPO SOS Options, the Exercise Price, the exercise period and the vesting schedule, etc.

Subject to restrictions which may be imposed by the Board or the Chairman (as the case may be), any Post-IPO SOS Options may be exercised at any time during the exercise period by the Grantee (or in the case of his death, his legal personal representatives) giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Post-IPO SOS Options are thereby exercised and the number of Shares in respect of which it is exercised.

(8) Maximum number of Shares

The overall limit on the number of Shares that may be issued upon exercise of all options granted under the Post-IPO SOS (the "**Post-IPO SOS Options**") shall be no more than approximately 10% of the Shares in issue on the date of the Shares starting to be traded on the Stock Exchange and the date of this annual report (being 84,187,680 Shares) ("**Post-IPO Mandate Limit**"). Post-IPO SOS Options lapsed or cancelled in accordance with the Post-IPO SOS Rules (or any other share option schemes of our Company) will not be counted for the purposes of calculating the Post-IPO Mandate Limit.

The maximum number of Shares which may be issued upon exercise of all outstanding Post-IPO SOS Options granted and yet to be exercised under the Post-IPO SOS and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of our Company from time to time.

We may refresh the Post-IPO Mandate Limit at any time subject to prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the Post-IPO Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid approval to refresh the Post-IPO Mandate Limit by our Shareholders in general meeting. Post-IPO SOS Options previously granted under the Post-IPO SOS or any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised) will not be counted for the purpose of calculating the Post-IPO Mandate Limit as refreshed.

We may also seek separate approval of our Shareholders in general meeting for granting options beyond the Post-IPO Mandate Limit to participants specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought.

(9) Maximum entitlement of Post-IPO SOS Participants

No Post-IPO SOS Options may be granted to any Post-IPO SOS Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Post-IPO SOS Options already granted or to be granted to such Eligible Participant under the Post-IPO SOS (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at the date of such new grant ("**Post-IPO Grant Date**"). Any grant of further Post-IPO SOS Options above this limit shall be subject to the requirements provided under the Listing Rules.

(10) Performance target

The Post-IPO SOS Rules does not set out any performance targets that must be achieved before the Post-IPO SOS Options may be exercised. However, the Board may, at their sole discretion, specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the Post-IPO SOS Options can be exercised.

(11) Vesting Schedule and Exercise Period

The Board or the Chairman (as the case may be) may specify the exercise period and the vesting schedule of the Post-IPO SOS Options in the Grant Letter. Unless the Post-IPO SOS Options have been withdrawn and cancelled or been forfeited in whole or in part, the Grantee may exercise his rights under the Post-IPO SOS according to the vesting schedule set out in the relevant Grant Letter. The Post-IPO SOS Options must be exercised no more than ten years from the Grant Date. During the Reporting Period, the Company did not grant, nor does it intend to grant any option with a vesting period shorter than 12 months under the Post-IPO SOS.

(12) Duration

The Post-IPO SOS shall take effect upon all of the following having been satisfied:

(i) the passing of the necessary resolution to adopt the Post-IPO SOS by the Board;

(ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Post-IPO SOS Options on the Stock Exchange; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

The Post-IPO SOS shall be valid and effective for the period of ten years commencing on the date when the Post-IPO SOS takes effect (after which, no further Post-IPO SOS Options shall be offered or granted), but in all other respects the provisions of the Post-IPO SOS Rules shall remain in full force and effective to the extent necessary to give effect to the exercise of any Post-IPO Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO SOS Rules. As at the date of this report, the remaining life of the Post-IPO SOS is about nine years.

(13) Details of the Post-IPO SOS Options granted under the Post-IPO SOS

As at July 15, 2024, 216 grantees have been granted options involving a total of 29,465,000 shares under the Post-IPO SOS, accounting for approximately 3.50% of the shares as at the end of the Reporting Period (excluding treasury shares).

As at December 31, 2024, 203 (13 of whom exited due to resignation) grantees have been granted options in respect of the shares under the Post-IPO SOS. The options granted to participants of the Post-IPO SOS involved a total of 25,965,000 shares, accounting for approximately 3.08% of the shares as at the end of the Reporting Period (excluding treasury shares). None of these options has been vested and exercised.

As of January 1, 2024 and December 31, 2024, the number of options available for grant under the scheme mandate of the Post-IPO SOS was in respect of 84,187,680 shares and 58,222,680 shares, respectively[note].

Director and senior management

For the year ended December 31, 2024, details of our Directors and members of senior management who were granted Post-IPO SOS Options are set out as follows:

Name of the grantees	Position held in our Group	Grant Date	Outstanding as at January 1, 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2024	Vesting period	Exercise price (HKD/Share)
Directors										
Ms. ZONG Wenhong	Executive Director and chief executive officer	July 15, 2024	–	4,000,000	–	–	–	4,000,000	3 years from Grant Date	1.14
Senior management										
Ms. WANG Shuli[2]	Former vice president and chief financial officer	July 15, 2024	–	2,000,000	–	–	2,000,000	–		
Mr. SHAO Shuli[3]	Former vice president	July 15, 2024	–	800,000	–	–	–	800,000	3 years from Grant Date	1.14
Mr. YANG Yuanwei[3]	Former vice president	July 15, 2024	–	800,000	–	–	–	800,000		
Mr. LI Ming[4]	Vice president	July 15, 2024	–	2,000,000	–	–	–	2,000,000		
Ms. ZHAO Shu[4]	Joint company secretary	July 15, 2024	–	1,000,000	–	–	–	1,000,000		
Employees other than Directors and senior management		July 15, 2024	–	18,865,000	–	–	1,500,000	17,365,000	3 years from Grant Date	1.14
Total				**29,465,000**	**–**	**–**	**3,500,000**	**25,965,000**		

Note: Pursuant to the terms of the Post-IPO SOS, lapsed options are available for re-grant. Accordingly, 58,222,680 (i.e., the Scheme Grant Limit less shares granted) shares are available for grant.

Notes:

1. In respect of a total of 29,465,000 options granted on July 15, 2024, the closing price of the relevant Shares immediately prior to the grant date of the share options (i.e. July 12, 2024) was HK$1.18 per share. The fair value of the relevant share options at the date of grant was HK$0.54 per share. For the accounting standards and policies adopted, please refer to Note 2.4 to the financial statements.

2. Ms. WANG Shuli resigned as the vice president and chief financial officer of the Company with effect from October 8, 2024, and will no longer hold any position within the Group.

3. Mr. SHAO Shuli and Mr. YANG Yuanwei resigned as the vice presidents of the Company on July 20, 2024 and July 22, 2024, respectively. Upon resignation, they continued to serve as chief executives in charge of businesses or regions within the Company, responsible for the development of related business or regional work.

4. Mr. LI Ming was appointed as the vice president of the Company with effect from August 29, 2024. Ms. ZHAO Shu was appointed as the joint company secretary of the Company with effect from August 29, 2024.

5. Save as disclosed above, as at the end of the Reporting Period, (i) there was no other grantees who are directors, chief executives, substantial shareholders or their respective associates of the Company; (ii) there was no other grantee that had been granted Post-IPO SOS Options exceeding 1% of the total number of issued shares (excluding treasury shares) and (iii) there was no related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the total number of issued shares (excluding treasury shares) of the Company.

6. The exercise period of the options granted under the Post-IPO SOS is 10 years.

7. The vesting of the Post-IPO share options granted is subject to the performance targets set out in the relevant grant notices. The performance targets have been determined after considering, including but not limited to, relevant financial indicators and business-related indicators of the Company. The Company has established an appraisal mechanism whereby appraisal indicators are set according to the duties and responsibilities of the relevant Directors and employees respectively. The appraisal indicators include, but are not limited to, the measurement of work quality, efficiency, level of cooperation, management level and strategic realization. Options that are scheduled to vest in the current period will only vest when the Company has assessed that the set vesting conditions have been met.

As at the end of the Reporting Period, a total of 97,400,300 Shares may be issued in respect of options granted under all share schemes of the Company, accounting for 11.57% of the weighted average number of the issued Shares (excluding treasury shares) during the Reporting Period.

Contractual Arrangements

(1) Change in Contractual Arrangements

Xikang WFOE, Xikang Information, Xikang Medical and the Existing Registered Shareholders entered into the exclusive management consultancy and business cooperation agreement, exclusive option agreement, equity pledge agreement, loan agreement, power of attorney and spouse undertakings letter (collectively, the "**2021 Contractual Arrangements**") dated May 18, 2021, details of which are set out in the section headed "Contractual Arrangements" in the Prospectus.

On December 24, 2024, as Ms. WANG Shuli resigned as the Vice President and Chief Financial Officer of the Company in October 2024 and Ms. ZHANG Ying was appointed as the Vice President and Chief Financial Officer of the Company, the relevant parties as detailed below entered into the following agreements for the purpose of changing the Registered Shareholders of Xikang Medical and Xikang Information from Ms. ZONG Wenhong and Ms. WANG Shuli to Ms. ZONG Wenhong and Ms. ZHANG Ying:

1. **Equity Transfer Agreement**: Ms. WANG Shuli agreed to transfer her 20% equity interest in each of Xikang Medical and Xikang Information (i.e. entire equity interest of Ms. WANG Shuli in Xikang Medical and Xikang Information) to Ms. ZHANG Ying at a consideration of RMB2.02 million, which was determined with reference to Ms. WANG Shuli's actual capital contribution to each of Xikang Medical and Xikang Information in the amount of RMB0.02 million and RMB2.0 million respectively. The Equity Transfer Agreement has become effective from the date it was signed;

2. **Termination Agreement**: pursuant to which, the 2021 Contractual Arrangements have been terminated on February 20, 2025; and

3. **New Contractual Arrangements**: the terms and conditions of which are the same as the 2021 Contractual Arrangements in all material respects. The New Contractual Arrangements have come into effect on February 20, 2025.

For details of the changes to the Contractual Arrangements, please refer to the announcement of the Company dated December 24, 2024.

(2) Overview of New Contractual Arrangements

Under the PRC laws, operation of "medical institution" established on or after April 10, 2015 in the PRC falls within the "restricted category", foreign investors are not allowed to hold more than 70% equity interests in a "medical institution". In addition, the provision of telecommunication information services and online data processing and transaction processing services through mobile application and Internet, fall within the value-added telecommunications services under relevant PRC laws, and foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication services. The Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Version) 《外商投資准入特別管理措施(負面清單) (2024 年版)》 (the "**2024 Negative List**") took effect on November 1, 2024, replacing the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) 《外商投資准入特別管理措施(負面清單) (2021 年版)》 (the "**2021 Negative List**"). Compared with the 2021 Negative List, the shareholding restrictions of foreign investors in relation to value-added telecommunication services and medical services in the 2024 Negative List remain unchanged.

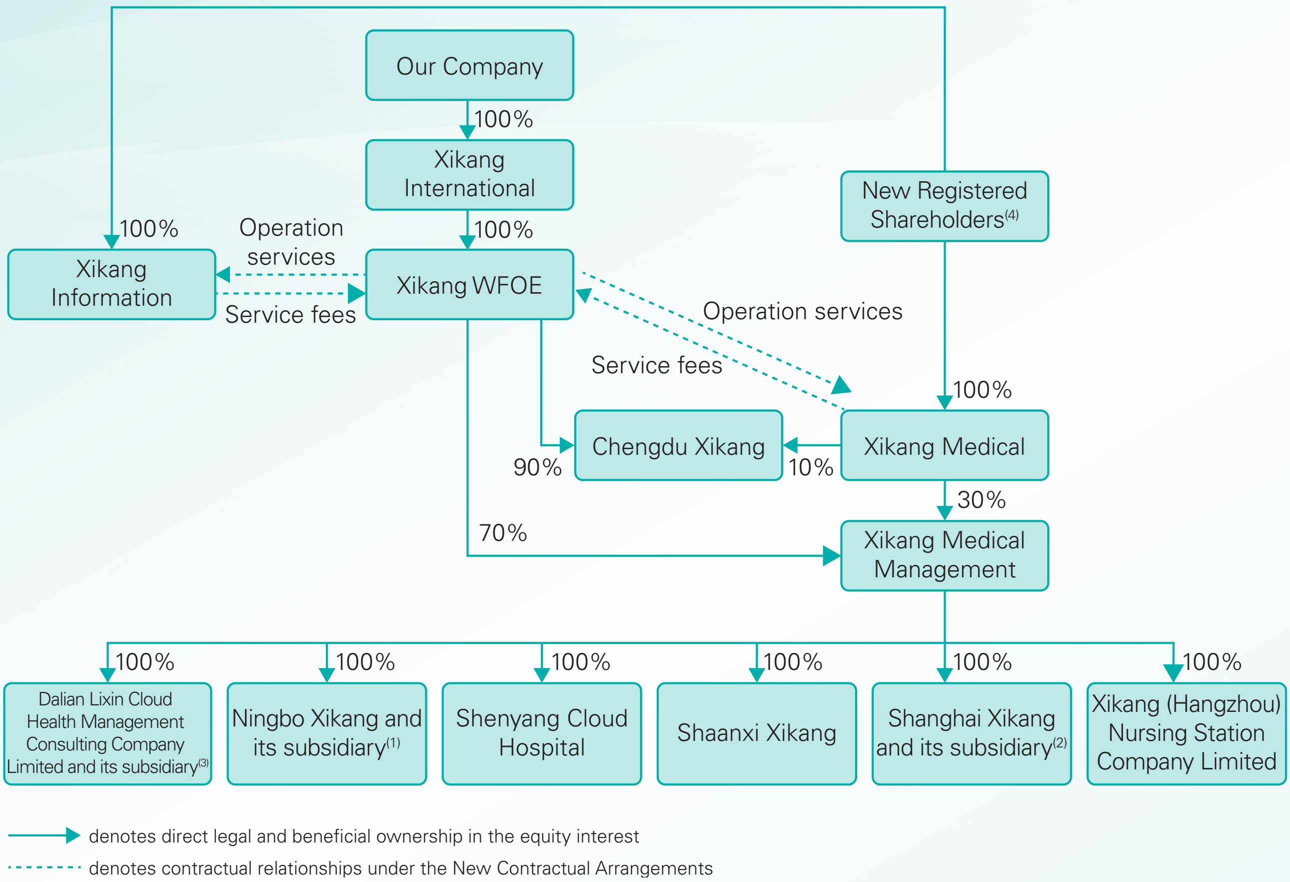
According to the Provisions for the Administration of Foreign-Invested Telecommunications Enterprises《外商投資電信企業管理規定》, the proportion of capital contributed by the foreign investors in a foreign-invested telecommunications enterprise that operates the business of value-added telecommunications services must not ultimately exceed 50%, unless otherwise stipulated by the state. On April 8, 2024, the Ministry of Industry and Information Technology promulgated the Announcement on Conducting the Pilot Program for Expanding the Opening-up of Value-added Telecom Services (the "**Announcement**")《關於開展增值電信業務擴大對外開放試點工作的通告》. According to the Announcement, the pilot program will be initially conducted in the Beijing Comprehensive Demonstration Zone for Expanding the Opening-up of the Service Industry, Lingang New Area and Leading Area for Socialist Modernization Construction of the Shanghai Free Trade Zone, Hainan Free Trade Port, and Shenzhen Demonstration Zone of Socialism with Chinese Characteristics. The Announcement further specifies that in the approved pilot areas, restrictions on foreign ownership ratio will be removed for internet data centers (IDC), content delivery networks (CDN), internet service providers (ISP), online data processing and transaction processing, as well as information distribution platforms and delivery services in information services (excluding internet news information, online publishing, online audiovisual, and internet cultural operations), and information protection and processing services. The Ministry of Industry and Information Technology will be responsible for organizing the valuation and validation of the pilot implementation plans and conditions in these four areas, and making decisions regarding their approval. In October 2024, the Ministry of Industry and Information Technology officially launched the Pilot Program for Expanding the Opening-up of Value-added Telecom Services (the "**Pilot Program**"). Given the recent enactment of the Announcement, there remains uncertainty with respect to the interpretation and practical application; given the recent launch of the Pilot Program, there remains uncertainty with respect to the process, timeframe and result of the approval. Thus, the Company is of the view that the New Contractual Arrangements are necessary to the business operation of the Company. The Company is closely following the developments of the Pilot Program, and evaluating from time to time the feasibility of acquiring the equity interests of Xikang Information.

Save as disclosed above, there is no other update on the PRC regulatory background disclosed in the section headed "Contractual Arrangements" of the Prospectus.

As foreign investment in medical services and value-added telecommunication services which our Company currently operates is subject to restrictions under PRC laws and regulations, our Company does not directly own or wholly own equity interests in its Consolidated Affiliated Entities, as the case may be. Each of Xikang Medical and Xikang Information is held as to 80% by Ms. ZONG Wenhong, executive Director and chief executive officer of our Company and 20% by Ms. ZHANG Ying, vice president and chief financial officer of our Company. Our Company obtained control over Xikang Medical and Xikang Information via a series of contractual arrangements signed among Xikang WFOE, Xikang Medical, Xikang Information, Ms. ZONG Wenhong and Ms. ZHANG Ying, where applicable.

Our Directors believe that the New Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties; (ii) by entering into the Exclusive Management Consultancy and Business Cooperation Agreements with Xikang WFOE, which is a subsidiary of our Company incorporated in the PRC, the Consolidated Affiliated Entities of our Company will enjoy better economic and technical support from our Company, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The following simplified diagram illustrates the Contractual Arrangements of our Company:



Notes:

(1) The subsidiary of Ningbo Xikang refers to Ningbo Cloud Hospital and Ningbo Haishu Xikang Comprehensive Clinic Co., Ltd. (寧波海曙熙康綜合門診部有限公司).

(2) The subsidiary of Shanghai Xikang refers to Shanghai Clinic.

(3) The subsidiary of Dalian Lixin Cloud Health Management Consulting Company Limited refers to Dalian Neusoft Xikang Comprehensive Clinic Co., Ltd. (大連東軟熙康綜合門診部有限公司).

(4) After the Equity Transfer Agreement comes into effect, each of Xikang Medical and Xikang Information will be held as to 80% by Ms. ZONG Wenhong, our executive Director and chief executive officer and 20% by Ms. ZHANG Ying, our vice president and chief financial officer. Notwithstanding that each of the New Registered Shareholders may hold limited beneficial interest in the Company's issued share capital, the Group has adopted the following safeguards to manage the potential risks arising from the New Contractual Arrangements:

(A) The New Contractual Arrangements enable Xikang WFOE to exercise effective control over Xikang Medical and Xikang Information. No event of default has ever occurred since 2021 Contractual Arrangements were put in place and we have not experienced any practical difficulties in enforcing 2021 Contractual Arrangements. New Contractual Arrangements are binding upon both of the New Registered Shareholders, which are in compliant with the requirements of the Listing Rules and Guidelines of the Stock Exchange;

(B) According to the New Contractual Arrangements, the New Registered Shareholders entered into the New Exclusive Option Agreements, pursuant to which the New Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws. Further, the New Registered Shareholders and Xikang WFOE also entered into the New Equity Pledge Agreements, according to which the New Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in the Onshore Holdcos to Xikang WFOE in order to guarantee Onshore Holdcos' and their respective New Registered Shareholders' performance of obligations under the New Contractual Arrangements; and

(C) The Group is managed centrally by the Board and the senior management members of the Company, who are primarily responsible for the day-to-day and overall management of the business and operations of the Group. As members of the senior management, Ms. ZONG Wenhong and Ms. ZHANG Ying, being the New Registered Shareholders, are dedicated to carrying out decisions made centrally by the Board and senior management of the Group.

The table below sets forth the principal business activities of our Consolidated Affiliated Entities:

Consolidated Affiliated Entity	Principal business activities
Xikang Information	Provision of telecommunication information services and online data processing and transaction processing services through mobile application and internet
Xikang Medical	Investment holding company of Xikang Medical Management
Xikang Medical Management	Investment holding company of Ningbo Xikang, Shenyang Cloud Hospital, Shaanxi Xikang and Shanghai Xikang
Ningbo Xikang	Investment holding company of Ningbo Cloud Hospital and Ningbo Haishu Xikang Comprehensive Clinic Co., Ltd.
Ningbo Cloud Hospital	Provision of Internet medical services and health management services
Ningbo Haishu Xikang Comprehensive Clinic Co., Ltd.	Provision of online and offline medical services
Shenyang Cloud Hospital	Provision of Internet medical services and health management services
Shaanxi Xikang	Provision of Internet medical services and health management services
Shanghai Xikang	Investment holding company of Shanghai Clinic
Shanghai Clinic	Provision of Internet medical services and health management services
Chengdu Xikang	Provision of Internet medical services and health management services
Dalian Lixin Cloud Health Management Consulting Company Limited	Investment holding company of Dalian Neusoft Xikang Comprehensive Clinic Co., Ltd.
Dalian Neusoft Xikang Comprehensive Clinic Co., Ltd.	Provision of Internet medical services and health management services
Xikang (Hangzhou) Nursing Station Company Limited	Provision of nursing services

Xikang Information currently holds an ICP License and an EDI License. The provision of telecommunication information services and online data processing and transaction processing services through mobile application and internet engaged by Xikang Information falls within the scope of value-added telecommunication service under the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises《(外商投資電信企業管理規定》). In addition, Xikang Medical, Xikang Medical Management and/or its subsidiaries and Chengdu Xikang operate "medical institutions" established on or after April 10, 2015, which falls within the "restricted category" for foreign investment under the PRC laws.

As a result of the Contractual Arrangements among Xikang WFOE, the Onshore Holdcos and the Registered Shareholders, Xikang WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. For the year ended December 31, 2024, the Consolidated Affiliated Entities in aggregate accounted for 66.3% of the Group's revenue and accounted for 23.0% of the Group's loss for the year in total.

(2) Summary of the agreements under the New Contractual Arrangements and other key terms thereunder

A description of each of the specific agreements that comprise the New Contractual Arrangements is set out below.

New Exclusive Management Consultancy and Business Cooperation Agreements

As part of the New Contractual Arrangements, (i) Xikang Information, Xikang WFOE and the New Registered Shareholders entered into the exclusive management consultancy and business cooperation agreement on December 24, 2024; and (ii) Xikang Medical, Xikang WFOE and the New Registered Shareholders entered into the exclusive management consultancy and business cooperation agreement on December 24, 2024 (collectively, the "**New Exclusive Management Consultancy and Business Cooperation Agreements**"). Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, which contain similar terms and conditions, Xikang WFOE has the exclusive right to provide, or designate any third party to provide each of the Onshore Holdcos with corporate management consulting services, intellectual property licensing services as well as technical and business support services. Such services include:

(i) the provision of advisory services and recommendations on asset and business operation, debt disposal, material contracts (including negotiations, execution and performance of the same), mergers and acquisitions, the development, maintenance and research services on computer system, software and products, employee management training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal informatization management, network development, upgrade and ordinary maintenance services, sales of propriety products, software, trademark, domain name and licensing of know-how and/or the use of related intellectual property rights, and

(ii) other additional services as the parties may mutually agree from time to time.

Without Xikang WFOE's prior written consent, none of the Onshore Holdcos may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreements from any third party. Xikang WFOE owns all intellectual property rights arising out of the performance of the agreements.

In exchange, the Onshore Holdcos agree to pay the entirety of their total income (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld except the enterprise income tax) to Xikang WFOE as the service fee.

Under the New Exclusive Management Consultancy and Business Cooperation Agreements, without prior written approval from Xikang WFOE, the Onshore Holdcos shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the provision of any security or guarantee in favour of any third party or the creation of any encumbrances in relation to its assets; (ii) the entry into of any loan or debt obligations in favour of any third party; and (iii) in relation to any third party the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the New Exclusive Management Consultancy and Business Cooperation Agreements, without prior written consent of Xikang WFOE, none of the Onshore Holdcos shall change or remove the members of its board of directors who are appointed by Xikang WFOE in accordance with the articles of association of each of the Onshore Holdcos. Xikang WFOE also has the right to appoint the directors, general managers, financial controllers and other senior managers of the Onshore Holdcos. Xikang WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of the Onshore Holdcos as the Onshore Holdcos and their shareholders have undertaken not to make any distribution without Xikang WFOE's prior written consent.

New Exclusive Option Agreements

As part of the New Contractual Arrangements, (i) Xikang Information, Xikang WFOE and the Registered Shareholders entered into the exclusive option agreement on December 24, 2024; and (ii) Xikang Medical, Xikang WFOE and the New Registered Shareholders entered into the exclusive option agreement on December 24, 2024 (collectively, the "**New Exclusive Option Agreements**"). Pursuant to the New Exclusive Option Agreements, which contain similar terms and conditions, the New Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Xikang WFOE or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of our Company's Onshore Holdcos.

Where the purchase price is required by relevant PRC laws and regulations to be an amount other than nil consideration, the New Registered Shareholders undertake to return the amount of purchase price they have received to Xikang WFOE or any of its designated third party.

To prevent the flow of the assets and value of the Onshore Holdcos to their respective shareholders, pursuant to the New Exclusive Option Agreements, none of the assets of the Onshore Holdcos are to be transferred or otherwise disposed of without the prior written consent of Xikang WFOE. In addition, under the New Exclusive Option Agreements, none of the New Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of the equity interests in our Onshore Holdcos without Xikang WFOE's prior written consent.

In the event that the New Registered Shareholders receive any profit distribution or dividend from our Onshore Holdcos, the New Registered Shareholders shall immediately pay such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Xikang WFOE. If Xikang WFOE exercises this option, all or any part of the equity interests in our Onshore Holdcos acquired would be transferred to Xikang WFOE and the benefits of equity ownership would flow to Xikang WFOE and its shareholders.

New Equity Pledge Agreements

As part of the New Contractual Arrangements, (i) Xikang Information, Xikang WFOE and the New Registered Shareholders entered into the equity pledge agreement dated December 24, 2024; (ii) Xikang Medical, Xikang WFOE and the New Registered Shareholders entered into the equity pledge agreement dated December 24, 2024 (collectively, the "**New Equity Pledge Agreements**"). Pursuant to the New Equity Pledge Agreements, which contain similar terms and conditions, the New Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in the Onshore Holdcos to Xikang WFOE in order to guarantee Onshore Holdcos' and their respective New Registered Shareholders' performance of obligations under the New Exclusive Management Consultancy and Business Cooperation Agreements, New Exclusive Option Agreements, the New Loan Agreements and relevant New Powers of Attorney.

Under the New Equity Pledge Agreements, the New Registered Shareholders have agreed to unconditionally and irrevocably pledge all of their respective equity interests in the Onshore Holdcos to Xikang WFOE.

The pledges in respect of the Company's Onshore Holdcos take effect upon completion of registration with the relevant Administration for Market Regulation and shall remain valid until (i) the satisfaction of all contractual obligations of the Onshore Holdcos and the New Registered Shareholders in full under the New Exclusive Management Consultancy and Business Cooperation Agreements, New Exclusive Option Agreements, the New Loan Agreements and the New Powers of Attorney, or (ii) the nullification or termination of the New Exclusive Management Consultancy and Business Cooperation Agreements, the New Exclusive Option Agreements, the New Loan Agreements and the New Powers of Attorney, whichever is later.

The Company will complete the registration of the New Equity Pledge Agreements with the relevant PRC legal authority pursuant to the PRC Laws when appropriate.

To further enhance its control over the Onshore Holdcos, our Company has taken measures to ensure that the Onshore Holdcos' register of shareholders and share certificates of the New Registered Shareholders are properly secured, within full control of Xikang WFOE, and cannot be used by the Onshore Holdcos except for the registration and change of registration procedure necessary for Onshore Holdcos' operation.

New Loan Agreements

As part of the New Contractual Arrangements, on December 24, 2024, (i) Xikang WFOE and the Registered Shareholders entered into a loan agreement; and (ii) Xikang WFOE and the New Registered Shareholders entered into a loan agreement (collectively, the "**New Loan Agreements**"). Pursuant to the New Loan Agreements, which contain similar terms and conditions, Xikang WFOE provided interest-free loans in an aggregate amount of RMB10 million and RMB100,000 to the New Registered Shareholders for their investments in Xikang Information and Xikang Medical, respectively.

Pursuant to the New Loan Agreements, upon repayment of the loans, the New Registered Shareholders shall transfer their equity interests in the Onshore Holdcos to Xikang WFOE or its designated third party at a consideration equivalent to the amount of loans being repaid. The maturity date of the loans is on the twentieth anniversary of the date when the New Registered Shareholders received the loans. The term of the loans may be extended with the consent of the parties. The loan must be repaid by the New Registered Shareholders immediately under certain circumstances, including, among others, 30 days after receiving a written notice from Xikang WFOE requesting repayment of the loan.

New Powers of Attorney

As part of the New Contractual Arrangements, each of the New Registered Shareholders has executed a power of attorney on December 24, 2024 (collectively, the "**New Powers of Attorney**"). Each of the New Registered Shareholders irrevocably appointed Xikang WFOE (or any person designated by Xikang WFOE, provided that this person does not have a conflict of interest with Xikang WFOE or its parent company) as their exclusive agent and attorney to act on their behalf on all matters concerning the Onshore Holdcos and to exercise all of their rights as a new registered shareholder of the Onshore Holdcos. These rights include: (i) the right to propose to convene and attend shareholders' meetings and to execute shareholders' resolutions and meeting minutes; (ii) the right to exercise all the shareholder's rights and the shareholder's voting rights in accordance with law and the constitutional documents of the Onshore Holdcos, including but not limited to the sale and transfer of any or all of the equity interests in the Onshore Holdcos; (iii) the right to file documents with the relevant registrar of companies; and (iv) the right to nominate and appoint the senior management of the Onshore Holdcos.

Further, pursuant to the New Powers of Attorney and to ensure that it does not give rise to a conflict of interest, each of the New Registered Shareholders of the Onshore Holdcos irrevocably undertakes that:

(i) the authorisations under the New Powers of Attorney will not lead to any potential conflict of interests between Xikang WFOE and the New Registered Shareholders; and

(ii) if any conflict of interest occurs during the performance of the New Contractual Arrangements, Xikang WFOE's interest shall take priority.

The New Powers of Attorney remain effective as long as the New Registered Shareholders remain shareholders of the Onshore Holdcos, unless Xikang WFOE requests to replace the appointed designee under the New Powers of Attorney.

The articles of association of the Onshore Holdcos state that the shareholders, in a shareholders' meeting, have the power to approve its operating strategy and investment plan, appoint the executive director, and review and approve the annual budget and earning distribution plan. Therefore, through the irrevocable New Power of Attorney arrangement, the Company and Xikang WFOE can exercise effective control over Onshore Holdcos through shareholder votes and, through such votes, can also control the composition of the board of directors for Onshore Holdcos.

New Spouse Undertakings

The spouse of each of the New Registered Shareholders has signed two sets of letter of undertaking on December 24, 2024 (collectively, the "**New Spouse Undertakings**") in respect of the New Contractual Arrangements, respectively, to the effect, among others, that:

(i) each spouse of the New Registered Shareholders confirmed and agreed that the respective New Registered Shareholder is entitled to deal with his/her own equity interests in the Onshore Holdcos in accordance with the New Contractual Arrangements;

(ii) each spouse of the New Registered Shareholders confirmed that the respective New Registered Shareholder may further amend or terminate the New Contractual Arrangements without the authorization or consent by the spouse;

(iii) each spouse of the New Registered Shareholders will enter into all necessary documents and take all necessary actions to ensure the due performance of New Contractual Arrangements as amended from time to time; and

(iv) each spouse of the New Registered Shareholders unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that he/she will not have any claim on such equity interests and assets; and he/she has not and does not intend to participate in the operation and management or other voting matters of the Onshore Holdcos.

The terms and conditions of the New Contractual Arrangements are identical to those of 2021 Contractual Arrangements, except for changes in the parties.

Upon the completion of transfer of equity interests in each of Xikang Medical and Xikang Information by Ms. WANG Shuli pursuant to the Equity Transfer Agreement, each of Xikang Medical and Xikang Information will be held as to 80% by Ms. ZONG Wenhong and 20% by Ms. ZHANG Ying. The Company will still maintain control over Xikang Medical and Xikang Information via the New Contractual Arrangements. The Company will adjust or unwind (as the case may be) the New Contractual Arrangements as soon as practicable in respect of the operation of the medical services and value-added telecommunication services (as illustrated in the Prospectus) to the extent permissible and the Company will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the relevant licenses made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

The Company does not maintain any insurance policy to cover the risks relating to the New Contractual Arrangements.

(3) The extent to which the contractual arrangements relate to requirements other than the foreign ownership restriction

Except as otherwise disclosed in this report, there were no material changes in the Contractual Arrangements and/or the circumstances in which the Contractual Arrangements were adopted during the Reporting Period. During the Reporting Period, Contractual Arrangements were not unwound as the regulatory restrictions that led to the adoption of the Contractual Arrangements were not revoked. During the Reporting Period, the Company has not encountered any interference or encumbrance from any governing bodies in operating its business through the relevant Onshore Holdcos under the Contractual Arrangements.

(4) Risks relating to the Contractual Arrangements

- If the PRC government finds that the agreements that establish the structure for operating the businesses of our Company in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, our Company could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our Company's interest in the Consolidated Affiliated Entities of our Company;

- The Contractual Arrangements of our Company may not be as effective in providing operational control as direct ownership, and the Consolidated Affiliated Entities may fail to perform their obligations under the Contractual Arrangements of our Company;

- Our Company may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to the business operations of our Company if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;

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

- The Company conducts its business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws;

- If the Company exercises the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject the Company to certain limitations and substantial costs;

- The current corporate structure and business operations of the Company may be affected by the Foreign Investment Law of the PRC;

- The Contractual Arrangements of the Company may be subject to scrutiny by the PRC tax authorities, and a finding that the Company owes additional taxes could substantially reduce its consolidated net income and the value of your investment.

For details of the risks relating to the Contractual Arrangements, please refer to the section headed Risk Factors in the Prospectus and the announcement of the Company dated December 24, 2024. To mitigate the risks relating to the Contractual Arrangements, the Board will conduct an annual review in relation to the implementation of and compliance with the Contractual Arrangements, and the Group will work closely with the Registered Shareholders, external legal advisors and counsels, so as to monitor the regulatory environment and developments of the PRC laws and regulations, which, in turn, reduce the risks relating to the Contractual Arrangements.

(5) Listing Rules implications

The transactions contemplated under the New Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as the party to the Contractual Arrangements, namely Ms. ZONG Wenhong, is a connected person of the Group. Both Xikang Medical and Xikang Information are owned as to 80% by Ms. ZONG Wenhong, and are therefore associates of Ms. ZONG Wenhong.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the Company's Consolidated Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules and the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules.

(6) Waiver granted by the Stock Exchange

In respect of the 2021 Contracts Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares of the Company are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval;

(b) No change without independent Shareholders' approval;

(c) The previous Contractual Arrangements shall continue to enable our Group to receive the economic benefits generated by the Consolidated Affiliated Entities;

(d) The previous Contractual Arrangements may be renewed and/or reproduced upon expiry or by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the previous Contractual Arrangements; and

(e) the Group will disclose details relating to previous Contractual Arrangements on an ongoing basis.

As the terms and conditions of the New Contractual Arrangements are identical to and a replica of the 2021 Contractual Arrangements, the Company has sought confirmation from the Stock Exchange and the Stock Exchange has confirmed that the transactions contemplated under the New Contractual Arrangements fall within the scope of the aforesaid waiver.

(7) Confirmation by Directors

Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions therein have been entered into and will be entered into during the Company's ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that with respect to the terms of the relevant agreements under the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Xikang WFOE; (ii) Xikang WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible losses of assets and values of the Consolidated Affiliated Entities can be prevented on an ongoing basis.

(8) Confirmation by the Independent Auditor

Ernst & Young, the auditor of our Company has confirmed in a letter issued to the Board that, with respect to the Contractual Arrangements for the year ended December 31, 2024. For details, please refer to the section headed "Directors' Report – Connected Transactions and Continuing Connected Transactions" in the annual report.

MATERIAL LITIGATION

Our Company was not involved in any material litigation or arbitration during the Reporting Period.

SUBSEQUENT EVENTS

Save as otherwise disclosed in this report, there was no any other significant events that had a material adverse impact on the business operations and finance of the Group after the Reporting Period and as of the date of this report.

REVIEW OF ANNUAL RESULTS AND APPROVAL OF ANNUAL REPORT

On March 20, 2025, the audit committee of our Company (the "**Audit Committee**") comprises one non-executive Director, namely Dr. CHEN Lianyong, and two independent non-executive Directors, namely Dr. CHEN Yan and Dr. YIN Guisheng. Each of them is an independent non-executive Director while Dr. CHEN Yan is the chairman of the Audit Committee. The Audit Committee of our Company has reviewed the audited annual results and annual report of our Company for the year ended December 31, 2024. The annual report and the consolidated financial statements of the Group for the year ended December 31, 2024 have been approved and authorized to be published by the Board of Directors on March 20, 2025.

SUFFICIENT PUBLIC FLOAT

Based on the information publicly available to our Company and to the knowledge of the Directors of our Company, as at the date of this annual report, our Company has maintained sufficient public float as required under the Listing Rules.

APPRECIATION

Our Company would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, which are the key factors for our Company to continue its success in the future. Also, our Company wishes to express its gratitude for the continued support from its shareholders, customers and business partners. Our Company will continue to dedicate to sustainable business, so as to create more values for the shareholders.

By Order of the Board
XIKANG CLOUD HOSPITAL HOLDINGS INC.
Dr. LIU Jiren
Chairman and Non-Executive Director

Directors and Senior Management

Biographical Details of Directors

Dr. LIU Jiren (劉積仁), aged 69, has been the chairman of the Board and a non-executive Director of our Company since July 15, 2011. He is a core founding member of our Group. Dr. LIU is one of the founders of Neusoft Corporation. He served as a director and the general manager of Shenyang Neusoft Software Co., Ltd. (瀋陽東軟軟件股份有限公司) ("**Neusoft Software**") (formerly known as Shenyang Neu-Alpine Software Co., Ltd (瀋陽東大阿爾派軟件股份有限公司), the predecessor of Neusoft Corporation), from June 1991 to August 1999, the chairman of the board of Neusoft Software from August 1999 to June 2008, and the chairman of the board and president of the former Neusoft Corporation from May 2003 to June 2008. He has acted as the chairman of the board of Neusoft Corporation since June 2008, and the chief executive officer of Neusoft Corporation from June 2008 to April 2021. Dr. LIU has concurrently served as the chairman of the board of Neusoft Holdings since November 2011. Since August 2018, he has served as a non-executive director and the chairman of the board of Neusoft Education Technology Co., Limited (東軟教育科技有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 9616.HK) mainly engaged in providing private IT higher education services. In addition, Dr. LIU served as a lecturer at Northeastern University (東北大學) (formerly known as Northeastern University of Technology (東北工學院)) from May 1987 to June 1988, and the vice president of Northeastern University from March 1995 to August 2014. Dr. LIU received his bachelor's, master's and doctoral degrees in computer science from Northeastern University in the PRC in April 1980, December 1982 and November 1987, respectively. He has been a professor of Northeastern University since June 1988.

Ms. ZONG Wenhong (宗文紅), aged 57, has been the chief executive officer of our Company since December 15, 2015 and the executive Director since December 27, 2019 (previously the vice president and chief medical officer) of our Company. Ms. ZONG also holds directorship and senior management position in a number of our Group members, including: (i) the director and the general manager of Xikang Medical, (ii) the director and the general manager of Xikang Information, (iii) the director and the general manager of Xikang Medical Management, (iv) the director and the general manager of Xikang Medical System, (v) the director and the general manager of Liaoning Xikang, (vi) the director and the general manager of Shanghai Xikang, (vii) the director and the general manager of Ningbo Xikang, and (viii) the director and the general manager of Xikang WFOE. Ms. ZONG currently does not hold any executive position in Neusoft Corporation or Neusoft Holdings. Prior to joining our Group, Ms. ZONG worked consecutively as (i) the deputy director of Shanghai Jing'an Community Health Service Management Center (上海市靜安區社區衛生服務管理中心) (formerly known as Shanghai Zhabei Community Health Service Management Center (上海市閘北區社區衛生服務管理中心)) from August 2007 to January 2010 and (ii) the standing deputy director of Shanghai Jing'an Health Technology and Information Center (上海市靜安區衛生技術信息中心) (formerly known as Shanghai Zhabei Health Technology and Information Center (上海市閘北區衛生科技與信息中心)) from February 2010 to July 2015. She has served as the vice chairman of the Health Records and Regional Health Informatization Professional Committee (健康檔案與區域衛生信息化專業委員會) of the Chinese Medical Information and Big Data Association (中國衛生信息與健康醫療大數據學會) since May 2019. Ms. ZONG obtained her bachelor's degree in clinical medicine in July 2002 from Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) (formerly known as Shanghai No.2 Medicine University (上海第二醫科大學)) in the PRC, and her master's degree in software engineering from Dalian University of Technology (大連理工大學) in the PRC in January 2009. Ms. ZONG received her intermediate qualifications (中級資格) in obstetrics and gynecology, internal medicine and general medicine from National Health Commission of the People's Republic of China (中華人民共和國國家衛生健康委員會) in October 2002, June 2004 and June 2005, respectively. She was granted the title of Chief Physician (主任醫師) in general medicine from Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2013.

Mr. XU Hongli (徐洪利), aged 60, has been a non-executive Director of the Company from 20 March 2024. Mr. XU is currently a co-president of Neusoft Corporation. Since joining Neusoft Corporation in July 1996, he has served successively as a director of Social Security Development Division, a director of Software Engineering Division, and a general manager of Social Security Affairs Department in Neusoft Corporation. He also served as a general manager of Government Affairs Division of Neusoft Corporation from October 2008 to November 2012, and a vice president of Neusoft Corporation from February 2002 to March 2014. He served as a senior vice president of Neusoft Corporation from March 2014 to April 2021, and he has served as a co-president of Neusoft Corporation since April 2021. Mr. XU was awarded the First Class Award for Technological Advancement in Shenyang (瀋陽市科技進步一等獎), the Award of Science and Technology for Revitalization in Shenyang (瀋陽市科技振興獎), two of the Second Class Award for Technological Advancement in Liaoning Province (遼寧省科技進步二等獎), the honorary title of the Top 10 Outstanding Young Factory Directors (Managers) in Shenyang City (瀋陽市十大傑出青年廠長(經理)榮譽稱號), the Outstanding Builder of the Socialist Cause with Chinese Characteristics in Shenyang (瀋陽市優秀中國特色社會主義事業建設者), the Leading Figure of China's Smart City Construction in 2018 (2018中國智慧城市建設領軍人物), the May 1st Labour Medal of Shenyang (瀋陽市五一勞動獎章), the May 1st Labour Medal of Liaoning Province (遼寧省五一勞動獎章) and other awards. Mr. XU received his bachelor's degree of science in mathematics from Northeastern University in the PRC in July 1988 and his master's degree in computer applications from Northeastern University in the PRC in March 1996.

Dr. WANG Nan (王楠), aged 49, has been a non-executive Director of our Company since November 18, 2015. Dr. WANG has been working for Neusoft Corporation since August 1995. From August 1995 to May 2011, she served in Neusoft Corporation, in a consecutive order, as (i) the head of Java application department of the software center (軟件中心 Java 應用部), (ii) the deputy manager and the head of mobile Internet affair department (移動互聯網事業部) of Neusoft Middleware Technology Branch (東軟中間件技術分公司), (iii) the deputy director of Neusoft Advanced Automotive Electronic Technology Research Center (東軟汽車電子先行技術研究中心), (iv) the vice president and the director of strategic alliance and overseas business promotion department (戰略聯盟與海外業務推進事業部). She is currently (i) the senior vice president since May 2011, (ii) the secretary to the board since December 2011, and (iii) the chief investment officer since April 2021 in Neusoft Corporation. Aside from being a key member of Neusoft Corporation, Dr. WANG has also served as a non-executive director of Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3869.HK) since May 2017. Dr. WANG obtained her bachelor's, master's and doctoral degrees in computer science from Northeastern University in the PRC in June 1994, March 1997 and July 2009, respectively. She received her title of intermediate computer engineer (中級計算機工程師) from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) on June 30, 2006. Dr. WANG became a member of Review Committee of Shanghai Stock Exchange in July 2019.

Mr. PU Chengchuan (蒲成川), aged 38, has been a non-executive Director of our Company since December 2022. Mr. PU has worked for Hony Capital since May 2018 with his current position being an investment director of private equity investment department, focusing on the investment in medical and healthcare-related fields. Mr. PU also serves as an executive director of Hospital Corporation of China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3869.HK) since June 2021. Mr. PU obtained his bachelor's degree in science (physics) in July 2008 from Tsinghua University in the PRC, and his master's degree in finance in June 2012 from Peking University in the PRC.

Dr. CHEN Yan (陳艷), aged 63, has been an independent non-executive Director of our Company since appointment by the Company. With expertise in accounting and financial management, Ms. CHEN has been a lecturer from May 1990 to July 1997, an associate professor from July 1997 to July 2005, a professor since July 2005, and a doctoral supervisor since July 2010 at Dongbei University of Finance and Economics (東北財經大學). From May 2018 till now, Ms. CHEN has served as a director of Liaoning SC Technology Co., Ltd. (遼寧思凱科技股份有限公司). She has concurrently served as an independent non-executive director of Wanda Hotel Development Co., Ltd. (萬達酒店發展有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 169.HK) since March 2019. From May 2019 to September 2020, she served as an independent non-executive director of Zhangzidao Group Co., Ltd. (獐子島集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002069.SZ). Ms. CHEN obtained her bachelor's and master's degrees in economics in July 1984 and July 1998, respectively, and her doctoral degree in financial management major in June 2006, from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) in the PRC. Ms. CHEN is a former member of the American Accounting Association, a former member of the Association of Certified Fraud Examiners, and a senior member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Dr. QI Guoxian (齊國先), aged 69, has been an independent non-executive Director of the Company since December 18, 2023. Dr. QI served as the cardiologist, professor and department director in the First Hospital of China Medical University from December 1982 to September 2010. From September 2010 to September 2017, he served as the professor and department director of the Department of Geriatrics of the First Hospital of China Medical University. He has served as the professor and chief physician of the Department of Geriatrics of the First Hospital of China Medical University since September 2017. Dr. QI has also held a number of academic positions in the medical field. He has served as a member of the Standing Committee of the Geriatrics Branch of the Chinese Medical Association since 2009. Since 2019, he has served as the chairman of the Geriatric Disease Prevention and Treatment Professional Committee of the Preventive Medicine Association of Liaoning Province. And since 2023, he has served as the president of the Liaoning Provincial Geriatrics Society. Dr. QI has won several awards in the medical field. He was awarded the May 1st Labor Medal of Liaoning Province from Liaoning Federation of Trade Union in 2014 and the first Liaoning famous doctor from Health Commission of Liaoning Province in 2015. Dr. QI obtained a bachelor's degree in medicine from China Medical University in June 1982 and a master's degree in internal medicine from the First Hospital of China Medical University in June 1987. He obtained his doctoral degree from the Department of Cardiology of the First Hospital of China Medical University in June 2000. In December 2000, Dr. QI was awarded the titles of professor and chief physician by the Liaoning Provincial Department of Human Resources and Social Security, and was awarded the title of doctoral supervisor by China Medical University in the same year.

Dr. YIN Guisheng (印桂生), aged 60, has been an independent non-executive Director of our Company since engaged by the Company. Prior to joining our Group, Dr. YIN has been teaching at College of Computer Science and Technology of Harbin Engineering University (哈爾濱工程大學計算機科學與技術學院) as, in a consecutive order, (i) a lecturer from April 1989 to September 1998, (ii) an associate professor from October 1998 to July 2000, and (iii) a professor since September 2003. Dr. YIN obtained his bachelor's degree in computer application and technology in July 1986, his master's degree in computer application in April 1989, and his doctoral degree in control theory and control engineering in April 2000 from Harbin Engineering University (哈爾濱工程大學).

Biographical Details of Senior Management

Please refer to the section headed "Biographical Details of Directors" above for the biography of Ms. ZONG Wenhong.

Ms. ZHANG Ying (張穎), aged 48, has been the vice president and chief financial officer of our Company since October 8, 2024. Ms. ZHANG Ying served as the audit manager at Shenyang Hualun Accounting Firm (瀋陽華倫會計師事務所) from 1999 to 2002. Since joining Neusoft Group in 2002 for over twenty years, she has held positions as the deputy head of the finance department of Neusoft Medical, the head of the planning finance department of Neusoft Group (prior to the listing), the deputy head of the finance operations department and accounting department of Neusoft Group (after the listing), the head of the investment audit department, and the head of the audit supervision department. Ms. ZHANG Ying obtained her bachelor's degree in Economics majoring in Certified Public Accountant from Dongbei University of Finance and Economics in July 1999 and a Master's degree in Business Administration from Northeast University in January 2024. Ms. ZHANG Ying holds qualifications as a non-practicing member of the China Certified Tax Agents Association and the Chinese Institute of Certified Public Accountants, a senior accountant, a practitioner of the Asset Management Association of China, and a financial officer in a property insurance company.

Mr. LI Ming (李鳴), aged 43, has been a vice president of the Company since August 29, 2024. Mr. LI Ming served as the department manager of New Telecom Information Technology (Shanghai) Co., Ltd. (Singapore Telecom China R&D Centre) from July 2001 to December 2006, the R&D director of the user department at eBay China R&D Centre from December 2006 to May 2015, a senior technical expert at Alibaba (China) Network Technology Co., Ltd. from May 2015 to June 2018, the chief technology officer of Zhejiang Bianque Health Technology Co., Ltd. from June 2018 to October 2020, concurrently serving as the director of smart healthcare at Alibaba Health Technology (China) Co., Ltd., the chief executive officer of Zhejiang Bianque Health Technology Co., Ltd. (浙江扁鵲健康科技有限公司) from October 2020 to November 2023, and concurrently serving as the director of internet medical products at Alibaba Health Technology (China) Co., Ltd. from October 2020 to May 2022; he joined our Company in November 2023 as the chief technology officer, overseeing the R&D department, customer service department, and marketing department. Mr. LI Ming obtained his bachelor's degree in Information Systems and Information Management from Shanghai University in June 2001.

Biographical Details of Joint Company Secretary

Ms. ZHAO Shu was appointed as Joint Company Secretary of the Company on August 29, 2024. Ms. ZHAO joined the Company in January 2024 as the secretary to the Board. She is responsible for handling daily affairs of the office of the Board and handling litigation affairs. Prior to joining the Company, from May 2012 to February 2023, Ms. ZHAO had served successively as the securities affairs representative, the secretary to the board of directors and the general manager of the securities department of Sansteed Hi-tech Group (山子高科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000981). From May 2008 to April 2012, Ms. ZHAO worked as the securities affairs representative at Veken Technology Co., Ltd. (維科技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600152). Ms. ZHAO obtained a bachelor's degree in information management and information systems from Changchun University of Science and Technology in June 2005, and a master's degree in finance from Nanjing University of Aeronautics and Astronautics in May 2008.

Mr. WONG Wai Chiu was appointed as a Joint Company Secretary of the Company on May 27, 2021. Mr. WONG is the associate director of SWCS Corporate Services Group (Hong Kong) Limited. He has extensive experience in compliance and listed company secretarial work. Mr. WONG obtained his bachelor's degree in social science (Honours) from the University of Hong Kong, his Post Graduate diploma in Hong Kong and the United Kingdom law from the Manchester Metropolitan University in the United Kingdom, his master's degree in corporate governance from the Hong Kong Polytechnic University, his master's degree in arbitration and dispute resolution from City University of Hong Kong and his master's degree in applied science from the University of Technology Sydney in Australia. Mr. WONG is a fellow of The Hong Kong Chartered Governance Institute, a fellow of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustees' Association and a Certified Trust Practitioner.

Disclosure of Changes in Information of Directors and Senior Management in Accordance with Rule 13.51B(1) of the Listing Rules

There is no change in information regarding the Directors and senior management that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules from the Reporting Period to the date of this annual report.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high-standard corporate governance with a view to safeguarding the interests of our Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the Shareholders. Our Directors recognize the importance of incorporating elements of good corporate governance into the management structure and internal control procedures of our Group to achieve effective accountability. The Company's corporate governance practices are based on the principles and code provisions under the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

Since the Company was listed on the Main Board of the Hong Kong Stock Exchange on September 28, 2023, the Company has been complying with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Board considers that, during the Reporting Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

CORPORATE CULTURE

As the pioneer of the city-specific cloud hospital model and the leader in serious medical digital transformation in China, our Company has been adhering to building the unique business model of "city-specific cloud hospital platform" that takes the city as the gateway and closely correlates with the regional medical and health system. Our Company helped governments build and operate city-specific cloud hospital platform that integrates urban medical service resources and connects local governments, medical institutions, patients and insurers, in addition to tirelessly promoting innovation in the service scenario and content of "medical care, nursing service and health care", continuing to lead the development of China's home medical and nursing market. Our Company was dedicated to "delivering home-based medical and nursing services" as mission to build a vision of "ensuring that every family can enjoy fair, precise, and friendly healthcare services and home care services", and has always adhered to the values of "Respect, Innovation, Excellence". The Board believes that the corporate culture of the Group is lined with its objectives, values and strategies.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at the date of this annual report, members of the Board of Directors are set out below:

Chairman and non-executive Director

Dr. LIU Jiren (劉積仁)

Executive Director

Ms. ZONG Wenhong (宗文紅) *(Chief Executive Officer)*

Non-executive Directors

Mr. XU Hongli (徐洪利)
Dr. WANG Nan (王楠)
Mr. PU Chengchuan (蒲成川)

Independent non-executive Directors

Dr. CHEN Yan (陳艷)
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

The latest list of the Directors and information on their roles and functions are maintained on the websites of the Company and the Hong Kong Stock Exchange. Biographical details of the Directors are described in the section headed "Directors and Senior Management."

Mr. XU Hongli, who was appointed as a non-executive Director on March 20, 2024, has obtained the legal opinion as stated in Rule 3.09D of the Listing Rules on March 15, 2024 and confirmed that he is aware of the obligations as a director of the listed issuer.

Save as disclosed in the section headed "Directors and Senior Management", to the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors and senior management.

Independent Non-executive Directors

During the Reporting Period, the Board has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) and at least one independent non-executive Director of which has the appropriate professional qualifications or accounting or related finance management expertise.

The Board has received written annual confirmation from each of the independent non-executive Directors in respect of the independence of such Director pursuant to Rule 3.13 of the Listing Rules and the Company considers that they are independent.

The Board and the Management

The Board is responsible for, and has the general authority on, the management and operation of the Company and is responsible for making all major decisions of the Company, including approving and monitoring all major policies and overall strategies, internal control and risk management systems, notifiable transactions and connected transactions, nomination of the Director(s) and joint company secretary(ies), and other significant financial and operational matters of the Group. The Board has also delegated to the senior management to be responsible for the day-to-day management of the Company's business.

Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer are held by Dr. LIU Jiren and Ms. ZONG Wenhong, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer is primarily responsible for the Company's business development, day-to-day management and general operations. Their respective responsibilities are clearly defined and set out in writing.

Board Meetings/General Meetings and Attendance of Directors

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and discuss matters included in the agenda for a regular Board meeting.

For other Board and Board Committee meetings, reasonable notices are generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the date of the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. Where Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Matters considered and the decisions reached by the Board and Board committees during the meetings are recorded in sufficient details in the minutes of the meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meetings and Board committee meetings are sent to the relevant Directors for their comments within a reasonable time after the date on which the meeting is held. All minutes are properly maintained by the Joint Company Secretaries and are available for the Directors' and Board committee members' inspection.

During the Reporting Period, the Company held 6 Board meetings, 4 Audit Committee meetings, 2 Remuneration Committee meetings, 1 Nomination Committee meeting, 1 Strategy Committee meeting and 1 general meeting.. During the Reporting Period, the Directors' attendance at the Board meetings and meetings of the specialized committees of the Board was as follows:

	Number of attendance/meetings					
Name of Director	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy Committee**	**General meeting**
Dr. LIU Jiren	6/6	/	2/2	1/1	1/1	1/1
Ms. ZONG Wenhong	6/6	/	/	/	1/1	1/1
Ms. LU Zhaoxia[(1)]	/	/	/	/	/	/
Mr. XU Hongli[(2)]	5/5	/	/	/	/	0/1
Dr. WANG Nan	4/6	/	/	/	/	0/1
Mr. PU Chengchuan	6/6	/	/	/	/	1/1
Dr. CHEN Lianyong[(3)]	5/6	4/4	/	/	1/1	1/1
Dr. CHEN Yan	6/6	4/4	2/2	/	/	1/1
Dr. QI Guoxian	6/6	/	2/2	1/1	1/1	1/1
Dr. YIN Guisheng	5/6	4/4	/	1/1	1/1	0/1

Notes:

(1) Ms. LU Zhaoxia resigned as a Director of the Company on March 20, 2024.

(2) Mr. XU Hongli was appointed as a Director of the Company on March 20, 2024.

(3) Dr. CHEN Lianyong resigned as a Director of our Company on April 18, 2025.

In addition to the above meetings, during the Reporting Period, the Chairman of the Board has also held one meeting with the independent non-executive Directors without the presence of other Directors.

Directors' Service Agreements

Each of the executive and non-executive Directors has entered into a service contract with the Company for a term effective from the date of appointment of Directors and up to the third annual general meeting of the Company after the date of his/her appointment. The service contracts may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Each of independent non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letter shall be three years with immediate effect from the date of appointment of Directors, and until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing, subject always to re-election as and when required under the Memorandum and Articles of Association).

During the Reporting Period, save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract with the Company (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Appointment and Re-election of Directors

Pursuant to Article 16.2 of the Memorandum and Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

Pursuant to Article 16.19 of the Memorandum and Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 of the Memorandum and Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Mr. PU Chengchuan, Dr. CHEN Yan and Dr. YIN Guisheng will retire from office by rotation and are eligible and willing to be re-elected at the annual general meeting in accordance with the Articles of Association. Details in relation to the re-election are set out in the circular of general meeting to be issued in due course by the Company.

Training and Professional Development

Pursuant to the code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant.

To help the Directors develop and refresh their knowledge and skills, internally-facilitated briefings for Directors would be arranged and written materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company has also arranged for its Hong Kong listing legal advisor to provide training to newly appointed Directors. The training courses covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and requirements under the Listing Rules.

The Directors are required to provide details of the training they received in each financial year to the Company for the maintenance of proper training records. During the Reporting Period, the training received by the Directors was as follows:

Name of Director	Type of Continuous Professional Development Training
Dr. LIU Jiren	A and B
Ms. ZONG Wenhong	B
Ms. LU Zhaoxia(1)	–
Mr. XU Hongli(2)	A and B
Dr. WANG Nan	A and B
Mr. PU Chengchuan	B
Dr. CHEN Lianyong(3)	A and B
Dr. CHEN Yan	A and B
Dr. QI Guoxian	A and B
Dr. YIN Guisheng	B

Notes:

(1) Ms. LU Zhaoxia resigned as a Director of the Company on March 20, 2024.

(2) Mr. XU Hongli was appointed as a Director of the Company on March 20, 2024.

(3) Dr. CHEN Lianyong resigned as a Director of our Company on April 18, 2025.

(4) Types of trainings:

A: participating in seminars, meetings, forums and/or training courses arranged by the Company or external institutions.

B: reading materials provided by the Company or external parties in details, such as materials related to business updates of the Company, duties and responsibilities of Directors, corporate governance and regulation updates, as well as other applicable regulatory requirements.

A MECHANISM FOR DIRECTORS TO OBTAIN INDEPENDENT VIEWS AND INPUT

At the Board meetings, Directors can express their opinions freely, and major decisions are made only after thorough discussions. Directors may also engage independent professional institutions at the Company's expense after going through due procedures, if they deem it necessary to get independent professional opinions. If any Director has interests in a proposal to be considered by the Board, he or she should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal. In addition, independent non-executive Directors shall also give objective and impartial independent opinions on matters discussed by the Company. Independent non-executive Directors of the Company do not have any business or financial interests in the Company or its subsidiaries, nor do they hold any other positions in the Company or have the relationships with the Company or its substantial shareholders that may influence their independent and objective judgment. Therefore, the participation of independent non-executive Directors during the Reporting Period can effectively ensure a strong and sufficient independent element in the Board. The Board will review the implementation and effectiveness of the aforementioned mechanism on an annual basis.

Board Committees

The Company has established four board committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee in accordance with relevant laws and regulations and the corporate governance practices under the Listing Rules.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, which comprises Dr. CHEN Yan, Dr. CHEN Lianyong and Dr. YIN Guisheng, all of whom are non-executive Directors of the Company, as of the end of the Reporting Period. Dr. CHEN Yan serves as the chairman of the Audit Committee, and has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee is responsible for reviewing and supervising the financial reporting, risk management and internal control systems of the Company, and assisting the Board to fulfill its duty of audit. The Audit Committee's duties and powers should include:

(a) to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any matters related to the resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review the significant financial reporting judgments contained therein;

(d) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness; and

(e) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems.

The Audit Committee also performs the Company's corporate governance functions, including (but not limited to):

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

(e) to review the Company's compliance with codes and disclosure in the Corporate Governance Report of the Company.

During the Reporting Period, the Audit Committee held 4 meetings to review the Group's consolidated financial statements and annual report for the year ended December 31, 2023 and the Group's consolidated financial statements and interim report for the six months ended June 30, 2024; to review and discuss the key internal audit matters, the financial reporting system and the systems of risk management and internal control; to review and discuss the effectiveness of the internal audit function; to discuss the appointment of Ernst & Young as the auditor of the Company and made a recommendation to the Board; to review the annual audit plan in 2024.

Responsibilities of the Directors for Financial Statements

The Directors acknowledge their responsibility for preparing financial statements, which should give a true and fair view of the state of the Company and of the results and cash flows for such Reporting Period.

In preparing financial statements, the Board has adopted HKFRS and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and prepared financial statements on a going concern basis. The Board is responsible for ensuring that the Company keeps proper accounting records to disclose the financial position of the Company reasonably and accurately at any time.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for auditing the financial statements of the Company and expressing opinions thereon. The independent auditor's report for the Reporting Period is set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's Remuneration

As disclosed in the section headed "Directors' Report – Auditor", PricewaterhouseCoopers has resigned as auditors of the Company with effect from October 21, 2024. On the recommendation of the Audit Committee, the Board has resolved to appoint Ernst & Young, Certified Public Accountants and Registered Public Interest Entity Auditors, as the new auditor of the Company to fill the casual vacancy created by the resignation of PricewaterhouseCoopers and to hold office until the conclusion of the next annual general meeting of the Company. The statement of Ernst & Young about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 130 to 135.

For the year ended December 31, 2024, the audit fees payable by the Group to the external auditor amounted to approximately RMB1.7 million, and the fees for non-audit services (being the agree-upon procedure for annual results and review on connected transactions) amounted to approximately RMB0.1 million.

Details of the fees paid or payable to the auditor of the Company in respect of audit services and non-audit services for the year ended December 31, 2024 are set out in the table below:

Services provided for the Company	RMB million
Audit services	1.7
Non-audit services	0.1

Nomination Committee

The Company has established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code, which comprises Dr. LIU Jiren, Dr. QI Guoxian and Dr. YIN Guisheng as of the end of the Reporting Period. Dr. LIU Jiren serves as the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee include (but not limited to):

(a) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Directors, and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the Chairperson and chief executives); and

(e) to review the board diversity policy and measurable objectives for implementing such board diversity policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosures of its progress and review results in the annual report of the Company annually and disclose the diversity policy in the Corporate Governance Report of the Company.

During the Reporting Period, the Nomination Committee held 1 meeting to discuss the structure, size and composition of the Board and consider the proposal to appoint Mr. XU Hongli as a non-executive Director, assessing the independence of independent non-executive Directors, reviewing the effectiveness of the Board diversity policy and making recommendations to the Board on the re-election of directors at annual general meetings.

Board Diversity Policy

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Our Company currently has five male and three female Directors, demonstrating that we have achieved gender diversity in respect of the Board. If suitable candidates become available in the future, the Board will maintain the number of female Directors to ensure that gender diversity of the Board will continue to be met in the next few years. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

The Nomination Committee of the Company is responsible for the implementation of the board diversity policy. During the Reporting Period, the Nomination Committee of the Company reviewed the board diversity policy from time to time to ensure its continuous effectiveness.

The Company is committed to promoting gender diversity, not only within the Board, but also throughout the workforce. As of the end of the Reporting Period, the gender ratio of the Company's employees (including senior management) is as follows:

Male	30%
Female	70%
Total	**100%**

Based on the above, the composition of the Company's employees is consistent with and expected to maintain a reasonable level of gender diversity.

Director Nomination Policy

The Board has adopted the director nomination policy (the "**Director Nomination Policy**"), which sets out the criteria and procedures for the nomination and appointment of Directors and ensures that the Board will maintain balance skills, experience and diversity of perspectives, which are appropriate to the Company. The Board believes that defining selection process will contribute to corporate governance, ensure Board continuity and appropriate leadership at the Board level, and enhance Board efficiency and diversity.

Article 16.4 of the Company's eighth amended and restated Memorandum and Articles of Association stipulates that, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person nominated) eligible to attend and vote at the meeting for which such notice is given of his intention to nominate such person for election and also notice in writing signed by the person to be nominated of his willingness to be elected.

Pursuant to Articles 16.2 and 16.3 of the Memorandum and Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting.

The Nomination Committee shall have the responsibilities and authority for selection and appointment of Directors. The Nomination Committee will identify, consider and recommend suitable candidates to the Board for consideration and make recommendations to the Shareholders for election of Director(s) at a general meeting. The selection criteria used in assessing the suitability of a candidate include, among others, integrity, professional qualifications and skills, commitment in respect of available time and diversity in all aspects. The Nomination Committee will make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Remuneration Committee

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, which comprises Dr. CHEN Yan, Dr. LIU Jiren and Dr. QI Guoxian as of the end of the Reporting Period. Dr. CHEN Yan serves as the chairman of the Remuneration Committee.

The principal terms of reference of the Remuneration Committee include (but not limited to):

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(i) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee held 2 meetings to review the remuneration policy and structure of the Company's Directors and senior management, discuss and advise the Board on the remuneration package for new non-executive Directors, and review matters related to the first grant of the options under the Post-IPO SOS.

Remuneration Policy

The Company has established Remuneration Committee in accordance with Corporate Governance Code to formulate remuneration policy. The Remuneration Committee determines the proposed remuneration based on the qualification, position and seniority of each of executive Directors and senior management. In terms of independent non-executive Directors, their remuneration is determined by the Board based on the Remuneration Committee's proposals. The Directors and senior management are qualified to participate in the Pre-IPO SOS and Post-IPO SOS. Details of remuneration of the Directors, senior management and the five highest paid individuals are set forth in note 8, note 38 and note 9 in consolidated financial statements, respectively.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including those who are also executive Directors during the Reporting Period is set out below by band:

Annual Remuneration	**Number of Individuals**
Nil to RMB1,000,000	6
Over RMB2,000,000	1

Strategy Committee

The Company has established the Strategy Committee with written terms of reference, which comprises Dr. LIU Jiren, Ms. ZONG Wenhong, Dr. CHEN Lianyong, Dr. QI Guoxian and Dr. YIN Guisheng as at the end of the Reporting Period. Dr. LIU Jiren serves as the chairman of the Strategy Committee.

Terms of reference of Strategy Committee are as follows:

(a) to review and make suggestions for the medium– to long-term development strategies (including overall strategies, human resources strategies, business strategies and investment strategies) and development plans and proposals of the Company, evaluate and monitor the implementation of such plans;

(b) to review and make suggestions for the annual operation plans and investment proposals of the Company;

(c) to review and make suggestions for major investments, financing and capital injection which are subject to the approval of the Board;

(d) to review and make suggestions for major business reorganization, acquisition, merger and asset transfer which are subject to the approval of the Board;

(e) to review and make suggestions for the expansion to new markets, launch of new business(es) and research and development of new products of the Company;

(f) to review and make suggestions for any major institution reorganization and restructuring proposals of the Company; and

(g) other duties as conferred by the Board.

During the Reporting Period, the Strategy Committee convened 1 meeting to discuss the development strategies in the middle and long term of the Company and review the topics of the annual operation plan of the Company.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems, and has the responsibility to review the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee is responsible for assisting the Board in leading the management and monitoring its design, implementation and management and control of the risk management and internal control systems. The Company has established an internal audit function to conduct internal control on certain significant areas of the Group.

The Company has devoted itself to establishing and maintaining risk management and internal control systems consisting of policies and procedures appropriate to our Company's business operations, and our Company is dedicated to continually improving these systems. The Company evaluates the operation of risk management and internal control systems during the year at least once a year, identifies risk factors that will affect the Group's achievement of its objectives from the standpoint of key areas such as strategic management, operations, finance, legal compliance, information technology and data security, and categorizes the potential defects identified in the evaluation into high, medium and low levels based on the impact of the defects, selects appropriate response strategies, formulates measures to address specific risks and determines the rectification time accordingly. The Company has been committed to promoting compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for our management and operations, including the establishment of such mechanisms. Our Directors will be involved in the formulation of the mechanisms and related policies. The Company has adopted and implemented comprehensive risk management policies in various aspects of our business operations such as healthcare quality and safety, operational and regulatory risk management.

Healthcare Quality and Safety

The Company focuses on providing professional healthcare services, and therefore the quality and safety of the care delivered is the lifeline of the Company's business. The Company has established comprehensive risk management systems and internal control procedures to minimize medical risks arising from our operations. During the Reporting Period and up to the date of this report, the Company did not receive any written notice or penalty for material non-compliance or violation of healthcare quality and safety laws or regulations.

The Company has adopted stringent procedures to manage quality and safety of care delivery on its platforms, and designated special medical quality control personnel to oversee matters relating to quality of Internet home care services, medical security management, infection controls, medical oversight, medical incident and medical disputes. The Company performs stringent screening of the qualifications of medical professionals that provide healthcare services over its platforms, strictly monitors the medical processes, activities and results of the relevant services rendered, and closely manages the medical supplies and waste involved in the provision of its Internet home care services. The Company also carries professional liability insurance covering the medical professionals serving on its platforms.

The Company offers pre-job training for new employees to raise their awareness of healthcare quality and safety, and provides continuous training on a periodic or ad hoc basis for medical personnel with respect to quality control, healthcare safety, professional ethics and legal awareness. In addition, the Company has established a healthcare service quality assessment mechanism that supervises all processes of the healthcare activities over its platforms.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, or external events. The Company has established a series of internal procedures to manage such risk.

The Company takes a comprehensive approach with regard to operational risk management, and implements a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Through effective operational risk management, the Company expects to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of the Company's failure to comply with relevant laws, regulations, rules and guidelines.

Compliance management refers to the Company's dynamic management process of effective identification and management of compliance risks and proactively preventing the occurrence of risk events. Compliance risk management is the core of the Company's risk management activities, the foundation for effective internal controls, and an important aspect in corporate cultures. The Company has established a sound compliance risk management framework as part of its comprehensive risk management system, to achieve effective identification and management of compliance risk and ensure that the operation of the Company is in compliance with applicable laws and regulations.

The Company has designed anti-bribery compliance risk control measures as part of the Company's regulatory compliance management system. Specifically, the Company's anti-bribery compliance risk control measures set forth the details of anti-bribery risks, including, for example, the detailed introduction of the identification, evaluation, monitoring and reporting of the anti-bribery compliance risks. The Company also provides anti-bribery compliance training to its employees from time to time. The business code of conduct management policy of the Company also stipulates that all commercial briberies are prohibited, including (1) briberies in cash, in kind, or by providing services, giving price concessions or discounts, and incurring various expenses in business activities; and (2) acceptance from or provision to customers of gifts or catering, entertainment, travelling, shopping and other types of consumer entertainment that exceed general business courtesies in business activities. In addition, the Company has set up an anti-bribery reporting hotline and all reports received are required to be transferred to an independent department for further investigation.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors. For an overview of these risks, please refer to the section headed "Directors' Report – Financial Risks".

Ongoing Review

The Board conducted a review on the effectiveness of the Company's risk management and internal control during the Reporting Period, which covered all material controls including financial control, operational control and compliance control. In light of the confirmation from the management, the Audit Committee and the internal audit function, the Board considers that the Company's risk management and internal control systems for the relevant period are effective and sufficient.

SECURITIES DEALING AND HANDLING OF INSIDE INFORMATION

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the Reporting Period and up to the date of this annual report.

The Company has also developed and implemented policies and procedures relating to the disclosure of information (including but not limited to the disclosure of inside information), including monitoring potential inside information, ensuring rapid identification of and assessment to relevant facts and circumstances that may have material impacts on the share price of the Company, and submitting relevant matters to the attention of the Board, if necessary, to determine whether a disclosure is needed. Directors, senior management and relevant employees in possession of inside information or potential inside information are required to take reasonable steps to preserve confidentiality and to ensure that its recipients recognize their obligations to maintain confidentiality.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. The current Joint Company Secretaries are Ms. ZHAO Shu and Mr. WONG Wai Chiu. For the biographical details of Ms. ZHAO Shu and Mr. WONG Wai Chiu, please refer to the section headed "Directors and Senior Management – Biographical Details of Senior Management" in this annual report. The main contact person of Mr. WONG Wai Chiu in our Company is Ms. ZHAO Shu.

During the Reporting Period, according to the requirements of Rule 3.29 under the Listing Rules, each of the Joint Company Secretaries has attended a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of the company secretary of a Hong Kong listed

RELATIONSHIP WITH SHAREHOLDERS

Shareholders' General Meeting

The Shareholders' general meetings of the Company serve as an opportunity for the Directors and senior management to communicate with the Shareholders. Shareholders are encouraged to participate in Shareholders' general meetings or to appoint proxy(ies) to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. An annual general meeting of the Company shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing.

Members of the Board, in particular, the chairmen of Board committees or their proxies, appropriate managements and external auditors will attend annual general meetings to answer Shareholders' questions.

The process of the Company's Shareholders' general meeting will be monitored and reviewed on a regular basis, and, if necessary, amended to ensure that Shareholders' needs are best served.

Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese to facilitate Shareholders' understanding about the content of the communication. Shareholders have the right to choose the language (either English or Chinese) or means of receipt (in hard copy or through electronic means) of corporate communication. Shareholders are encouraged to provide, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Company's Website

The Company maintains a website at www.xikang.com as a communication platform with the Shareholders and investors. Information on the Company's website will be updated on a regular basis. Information released by the Company on the website of the Stock Exchange will also be posted on the Company's website for corporate communications immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of Shareholders' general meetings and associated explanatory documents, etc.

Shareholders' Enquiries

Shareholders and investors may send written enquiries or requests to the Company for the attention of the Board. The contact details are as follows:

Address: 1-1, 1-2, 1-3, 1-4, 1-5, 2-1, No. 12 Huizheng Lane, Haishu District, Ningbo City, Zhejiang Province, PRC
Email: XKBO@neusoft.com

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. The Company ensures that the Hong Kong Share Registrar maintains the most up-to-date information relating to the Shares at all times so that it can respond to enquiries from shareholders effectively.

Shareholders' Communication Policy

The Company has established the Shareholders' communication policy with the objective of ensuring that the Shareholders and the investment community at large are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication among Shareholders, the investment community and the Company. The Company uses a number of formal communication channels to report and account for the Company's results to its shareholders and investors. Such channels include (i) publishing interim and annual reports; (ii) annual general meetings or extraordinary general meetings that provide platforms for shareholders to present their views and exchange insights with the Board; (iii) providing the latest key information of the Group to its shareholders and investors through the Stock Exchange and the Company's website; (iv) specific contact details from the Company's website to facilitate direct communication between the Company and its shareholders and investors; and (v) the registration services in relation to all shares from the Company's Share Registrar in Hong Kong.

The Board reviews the Shareholders' communication policy on a regular basis to ensure its effectiveness, particularly with regard to the requirements of Part 2 of the Corporate Governance Code (Appendix C1 to the Listing Rules). The Board committees have reviewed the implementation and effectiveness of the Shareholders' communication policy during the meetings, and are of the view that the Shareholders' communication policy has been effectively implemented and that the information disseminated to the Shareholders was effective.

Dividend Policy

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

Shareholders' Rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the Shareholders' general meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions proposed at the Shareholders' general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company at www.xikang.com and the Hong Kong Stock Exchange at www.hkexnews.hk after each Shareholders' general meeting.

In accordance with the Memorandum and Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Shareholders' general meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at Shareholders' general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the Shareholders' general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

EFFECTIVE COMMUNICATIONS WITH INVESTORS

The Group has made effective improvements in investor relations under the leadership and support of the Board and management. During the Reporting Period, the Group has successively participated in a number of investor/analyst communication meetings and investor events, etc., to promote the Company's communications with Shareholders and investors. In the future, the Company will maintain on-going and effective communications with investors through road shows after the issuance of interim results, annual results as well as through Shareholders' general meetings.

CONSTITUTIONAL DOCUMENTS

On March 20, 2024, the Board proposed to change the English name of the Company from "NEUSOFT XIKANG HOLDINGS INC." to "Xikang Cloud Hospital Holdings Inc.", and adopt the Chinese name "熙康雲醫院控股有限公司" as its new Chinese name to replace the original Chinese name "東軟熙康控股有限公司". The Board also proposed to amend and restate the seventh amended and restated Memorandum and Articles of Association to reflect the proposed change of Company names, which shall take effect immediately when the proposed change of Company names takes effect. The special resolution has been approved at the Shareholders' general meeting of the Company held on May 21, 2024 for Shareholders to approve the adoption of the eighth amended and restated Memorandum and Articles of Association, so as to replace and delete the existing seventh amended and restated Memorandum and Articles of Association. The eighth amended and restated Memorandum and Articles of Association have been effective on May 21, 2024, the date when changing Company names took effect.

On March 20, 2025, the Board proposed to amend and restate the existing Eighth Amended and Restated Memorandum and Articles of Association of the Company to (i) update and bring the existing Eighth Amended and Restated Memorandum and Articles of Association in line with the relevant amendments to the Listing Rules in relation to the expanded paperless listing regime; and (ii) make slight adjustments and other consequential and housekeeping amendments to comply with the applicable laws of the Cayman Islands. The proposed adoption of the Ninth Amended and Restated Memorandum and Articles of Association is subject to the passing of the special resolution approving the adoption of the Ninth Amended and Restated Memorandum and Articles of Association by the Shareholders at the annual general meeting.

Environmental, Social and Governance Report

1. ABOUT THE REPORT

Xikang Cloud Hospital Holdings Inc. (hereinafter referred to as the "**Company**" or "**we**" or "**Xikang Cloud Hospital**"), and its subsidiaries (hereinafter referred to as the "**Group**") are pleased to release the second Environmental, Social, and Governance Report (hereinafter referred to as "**ESG Report**" or the "**Report**"), which outlines our principles and sustainable development concepts in fulfilling corporate social responsibilities, and elucidates our performance and achievement regarding environmental, social and governance aspects.

Reporting Standards

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), covering content that complies with the mandatory disclosure requirements, "Comply or Explain" provisions, and the four reporting principles (materiality, quantitative, balance, and consistency) set out in the Guide. The final chapter of the Report contains a reference index to the Guide used in compiling the Report, facilitating quick referencing for readers.

Materiality	The Report has identified material ESG issues, and disclosed the process of identifying these issues and the criteria for selecting them, as well as described the process of stakeholder engagement.
Quantitative	The statistical standards, methods, assumptions, and calculation tools used for ESG key performance indicators (hereinafter referred to as "**KPIs**") and related data disclosed in the Report are explained herein.
Balance	The Report presents the Group's performance in a fair and unbiased manner to avoid any inappropriate influence on readers' decisions or judgments that may arise from selection, omission, or reporting format.
Consistency	We employ consistent statistical disclosure methods throughout the Report. In the event of any changes to the statistical methods or key performance indicators, or any other factors that may impact meaningful comparisons, we will provide clear explanations in the ESG Report.

Scope of Reporting

The Report delineates the sustainable development policies, measures, and KPIs related to the core business of the Group from January 1, 2024, to December 31, 2024 (hereinafter referred to as the "**this year**" or "**Reporting Period**"). Unless otherwise stated, the social scope of the Report covers the actual business scope of the Group, while the environmental key performance indicators are collected from the Group's medical institutions and offices mainly located in Shenyang, Changsha, Ningbo, Chengdu, Xi'an, Dandong, Fuzhou, and Shanghai in China.

Report Language

The Report is published in both Traditional Chinese and English. In case of any discrepancies, the Traditional Chinese version shall prevail.

Report Approval

As confirmed by the management, the Report was approved by the Board of Directors on March 20, 2025.

Feedback to Report

We highly value your opinion on the Report. If you have any queries or suggestions, please feel free to contact us via email: XKBO@neusoft.com.

2. SUSTAINABLE DEVELOPMENT STRATEGY

The Group is principally engaged in digital medical services in China, using the urban cloud hospital platform as a carrier. Its businesses include medical services, nursing services and health management services. In line with our commitment to social responsibility, we prioritize the impact of our operations on society and the environment and strive to continuously enhance our ESG performance to generate sustainable value for all stakeholders. During this year, the Group has officially changed its name to "Xikang Cloud Hospital Holdings Inc.", which more comprehensively demonstrates the nature of the Company's business and industrial layout. We will continue to insist on integrating ESG concepts into our actual business, and continue to focusing on the medical services market, striving to harvest from economic and social benefits.

Awards and Recognitions Received for the Year

Name of Recognition	Issued to	Issued by
Filing for Ningbo Haishu District Enterprise Technology R&D Center	Xikang China	Ningbo Haishu District Science and Technology Bureau
Outstanding Case of Digital Economy Development in Zhejiang Province in 2024	Xikang China	Office of the Department of Economy and Information Technology of Zhejiang Province
Zhejiang Technology-based Small and Medium-sized Enterprises	Xikang China	Ningbo Science and Technology Bureau
2024 Liaoning Software Credit Star Enterprise	Xikang Shenyang Subsidiary	Liaoning Software Industry Association
2023 Shenyang Excellent Software Enterprise and Product	Xikang Shenyang Subsidiary	Shenyang Software and Information Service Industry Association

2.1 Statement of the Board of Directors

The Group understands the significance of sustainability management to corporate development and is fully aware that the establishment of a solid sustainability governance structure can effectively strengthen the Board's management of the Group's ESG-related work. Therefore, the Group has set up a three-tier ESG management structure, with the Board of Directors, as the highest governance body, being ultimately responsible for the Group's ESG strategy and performance. It identifies, prioritizes and manages ESG issues of importance, understands and responds to the concerns of stakeholders in a timely manner, and reviews the progress of the implementation of the Group's ESG policies and performance evaluation to ensure that all initiatives are put into practice.

During this year, we reviewed the Group's environmental objectives and continued to make in-depth progress in their implementation, fulfilling our corporate social responsibilities and enriching the Group's ESG content, so as to meet the requirements of our business development and the external environment, and to create stable, long-term value for the Group.

2.2 ESG Governance

We are fully aware that in order to achieve outstanding ESG results, it is necessary to establish a scientific and complete ESG governance structure. The Group has established a three-tier ESG governance structure comprising the Board of Directors, the ESG Working Group and various functional departments. Through a top-down approach, the Group performs its decision-making, coordination and execution duties in a hierarchical manner to ensure that the Group's ESG policy reaches the end of the business. The Board of Directors is responsible for the highest level of decision-making and has authorized the establishment of the ESG Working Group, which is directly led by the Company's management, to promote and coordinate the implementation of ESG-related policies by each department and report to the Board of Directors on a regular basis; each business department, as the executive level, is responsible for the collection and reporting of various types of ESG data, and the commencement and implementation of ESG work on the frontline of the business.

Decision-Making Level
The Board

- Taking responsibility for ESG and climate-related issues' strategy and reporting;
- Formulating the regulatory systems of ESG and climate-related issues, and disclosing the supervision process of the Board such as the discussion process and frequency;
- Resolving and approving the Company's management policies, strategies, plan, goals and annual work on ESG and climate-related issues, including assessment, prioritization and management of major ESG issues, risks and opportunities;
- Reviewing and monitoring the performance and target achievement of ESG and climate-related issues on a regular basis;
- Establishing and monitoring ESG risk management and internal control systems, including the management of climate-related risks.

Coordination Level
ESG Working Group

- Reporting periodically to the Board on ESG and climate-related issues and progress;
- Responsible for reviewing and supervising the Group's ESG and climate-related policies and practices to ensure the Group's compliance with relevant legal and regulatory requirements;
- Constantly tracking and reviewing the progress of ESG and climate-related performance and goal to ensure the proper management and implementation of various ESG issues;
- Coordinating and promoting various departments to implement various ESG and climate-related policies, and to supervise the ESG-related work of various function departments.

Execution Level
All Business Departments

- Organizing, promoting and executing various ESG and climate-related work in accordance with the arrangement, requirement and division of the Company's ESG and climate-related management policies, strategies, plan, annual work and goals;
- Collecting and reporting ESG and climate-related internal policies, systems and ESG-related performance indicators.

2.3 Stakeholder Engagement

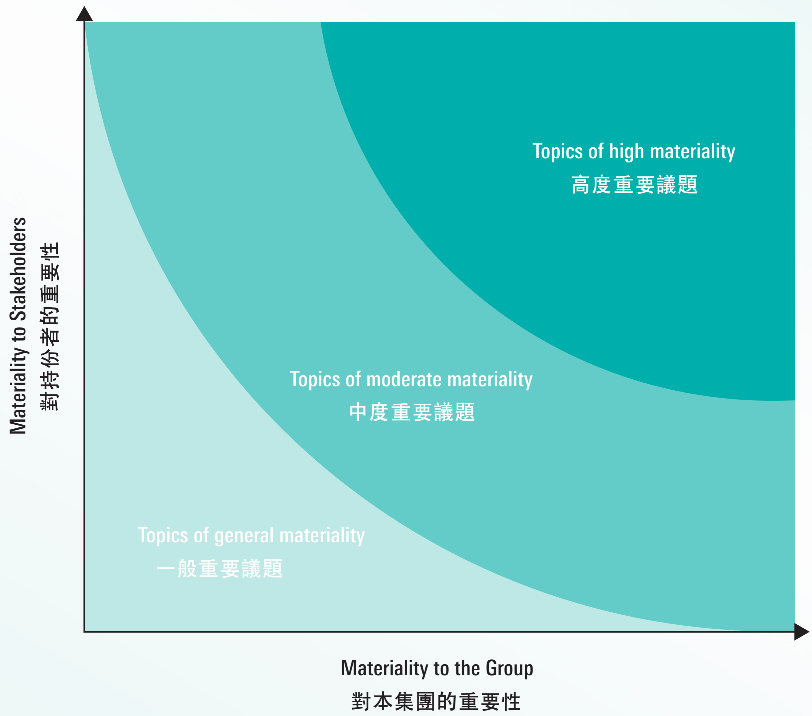
The Group attaches great importance to the expectations and suggestions of our stakeholders on the Group's development. We have provided various communication channels according to the different characteristics of our stakeholders, and through means of information disclosure, media communication and so forth, we have understood and responded to the concerns of our stakeholders, which have helped us to formulate and adjust the Group's strategy for sustainable development, and to continuously optimize our ESG performance. During this year, we reached out to stakeholders from different sectors, including customers, employees, shareholders and investors, business partners, suppliers, regulatory authorities and the media.

Stakeholders	Major communication and response channels	Main concerning issues
Customers	• Customer Satisfaction Survey and Feedback Form • Customer Service Center and hotline • Service complaints and responses • Customer Relationship Manager visits • Day-to-day operations/communication • Online Service Platform • Telephone and e-mail	• Product and service quality • Customer satisfaction • Intellectual property protection
Employees	• Channels for employees to express their views (e.g. forms, suggestion boxes, employee communication conferences, etc.) • Work performance appraisals and conversations • Meetings and interviews • Publications (such as employee communications) • Business briefings • Employee activities • Employee communication conferences • Employee intranet	• Employee benefits • Compensation and benefits • Employment relationship and employee communication
Suppliers	• Supplier management procedures • Supplier/subcontractor evaluation system • Meeting • Site inspection	• Product and service quality • Customer satisfaction • Intellectual property protection • Business ethics
Government/regulatory authorities	• Regular information reporting • Site visits • Inspection • Compliance reports	• Health and safety of products and services • Intellectual property protection
Community/non-governmental organizations	• Company website/company announcement/social media platforms • Donation • Participation in community activities • Volunteer activities	• Taking part in charitable and voluntary activities

2.4 Materiality Assessment

In order to further identify the key aspects of the Company's ESG practice and disclosure, we built material topics database with reference to the disclosure obligations under the Guide issued by the Stock Exchange, the material topics database of relevant industry issued by the Sustainability Accounting Standards Board (SASB) and the ESG issues of concern of our peers, and finally identified 27 material topics applicable to the Group's business after materiality assessment, 9 of which are topics of high materiality, 11 are topics of moderate materiality and 7 are topics of materiality. The following issues are highlighted in this report to reflect our contribution to the ESG work. The results of the materiality assessment have been approved and confirmed by the Board of Directors.

Materiality Matrix
重要性矩陣



Topics of high materiality			
Employee training and development	Information security and data privacy	Optimizing customer service	Technology development and innovation
Quality and safety assurance of product and service	Intellectual property protection	Responsible marketing and publicity	Compliance risk management
Empowering the healthcare stakeholders			

Medium materiality issues			
Occupational health and safety	Compliant employment	Employee interests and benefits	Equality and diversity in employment
Employee care	Inclusive healthcare	Business integrity and compliance	ESG management
Anti-corruption and establishment of integrity	Business ethics and code of conduct	Sustainable consumption advocation	

General materiality issues			
Use of energy and resource	Waste management	Climate change and carbon emissions	Green office
Responsible procurement	Customer interests	Public welfare and voluntary service	

Materiality assessment responses

Xikang Cloud Hospital is a pioneer in the PRC digital healthcare services market. Based on the urban cloud hospital platform as its carrier, Xikang Cloud Hospital is committed to using information technology to drive the healthcare transformation, focusing on three major segments, namely medical services, nursing services and healthcare management services, to empower healthcare stakeholders and create value for them. Our responses to the topics of high materiality are set out in the following chapters:

Topics of high materiality	Corresponding Chapter
Employee training and development	5. Excellent Talent Team
Information security and data privacy	3. Business Strategy
Optimizing customer service	3. Business Strategy
Technology development and innovation	3. Business Strategy
Quality and safety assurance of product and service	3. Business Strategy
Intellectual property protection	4. Compliance Operation
Responsible marketing and publicity	3. Business Strategy
Compliance risk management	4. Compliance Operation
Empowering the healthcare stakeholders	3. Business Strategy

3. Business Strategy

3.1 Quality Assurance

3.1.1 Maintaining Medical Data Security

As an enterprise engaged in healthcare services, the Group needs to store and use a large amount of medical data in its daily operation. Therefore, we have always attached great importance to information security and strictly complied with the Law of the People's Republic of China on the Guarding State Secrets《中華人民共和國保守國家秘密法》, the Regulations on the Implementation of the Law of the People's Republic of China on Guarding State Secrets《中華人民共和國保守國家秘密法實施條例》, 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)》, the Guiding Opinions on Promoting and Regulating the Application and Development of Healthcare Big Data《關於促進和規範健康醫療大數據應用發展的指導意見》and other laws and regulations related to information security. We have formulated and implemented internal management policies such as the "Information System Authority Management Procedures《信息系統權限管理流程》", "Network Backup and Disaster Recovery Specifications《網絡備份和災難恢復規範》", "Server Log Management Specifications《服務器日誌管理規範》", "Terminal Access Standard Specifications《終端准入標準規範》", and "Data Access Authority Control Specifications《數據訪問權限控制規範》", so as to plug information loopholes at the system level. In addition, we have opened up our authority to provincial internet healthcare regulators to enable them to access the Group's cloud hospital platform to assist and supervise our work in the areas of policy formulation, quality control, audit management, etc., so as to safeguard information security at the regulatory level.

The Group has formulated a complete response process for information security incidents, with disaster recovery specifications for network backup, application system backup and database backup, and classified information security incidents into four levels according to the severity, controllability and scope of impact of the incident, requiring the discoverer of the failure to report to the Operation and Maintenance Security Department immediately and report to the department for handling at each level until the risk is lifted. After the incident is over, the Group requires the Information System Emergency Response Team to investigate the cause of the incident, investigate the responsibility of the relevant personnel, and notify the department or the whole company according to the degree of harm. In order to accurately trace the problems of online services, analyze and evaluate them, we have formulated and implemented the "Server Log Management Specifications《服務器日誌管理規範》" and "Server Logging Standards《服務器日誌記錄標準》", and required the operation and maintenance engineers to regularly evaluate and update all kinds of work logs in a timely manner. In addition, we carry out emergency drills at least once a year for potential security incidents, such as virus transmission, internal or external intrusion, power supply system outage, etc., to enhance the security awareness and emergency response capability of relevant personnel.

The Group strictly controls the management authority for the retention and management of various types of data and has formulated different security strategies and protective measures in accordance with the confidentiality, integrity and availability of data. We have adopted advanced technologies such as encryption and decryption technologies, additional identity authentication mechanisms and database firewalls, which can effectively block various new types of network attacks and ensure the safe retention and reasonable use of the Group's data. On this basis, we carry out data security assessment once a year to assess and analyze the manner and scope of data processing, security protection obligations, and the risk of leakage and damage during processing, so as to identify risks and loopholes in a timely manner, and to ensure that the Group's data remains secure throughout the entire process.

Customer Privacy Protection

The Group attaches great importance to the protection of customers' information and privacy and has taken a number of measures to ensure the security of such sensitive information. We have implemented systems such as the "Data Access Authority Control Specifications 《數據訪問權限控制規範》", "Encryption Management Specifications 《加密管理規範》" and "Data Desensitization Management Specifications 《數據脱敏管理規範》", strictly adhering to the principle of least privilege, least leakage and multi-level security strategies, desensitizing and de-labelling sensitive customer information by means of data replacement, randomization, offsetting and rounding to reduce the sensitivity of such information; and setting up dynamic authority control for staff accessing different scenarios and precisely opening up authority according to their roles, responsibilities and sensitivity of access needs, thereby reducing the number of staff accessing such sensitive information and lowering the risk of data leakage. Meanwhile, we have also formulated corresponding technical solutions to key information security issues, and encrypted the data during storage and transmission, so that visitors need to go through specific procedures to obtain decryption privileges, thus increasing our control over customer information.

During the Reporting Period, the Group has not been made aware of any breach of law or regulation relating to any privacy matter that has a material impact on the Group.

3.1.2 Enhancing Medical Service Standards

We have established a close relationship with a number of renowned medical institutions and top medical professional bodies in China, and together we are committed to developing a set of highly standardized and scientific medical service processes and management systems covering cardiology, obstetrics, paediatrics, oncology and specialist care. By integrating the professional knowledge and clinical practice of each department, we aim to provide a standardized process based on medical expertise, efficiency and safety for different specialties.

Although the Group is an Internet medical service platform, we attach great importance to the high quality and professionalism of our medical service practitioners. We require all nurses to have at least five years of working experience before they start to provide services in our cloud hospital, and to have passed the nursing programs organized by professional medical institutions and obtained the relevant academic training and assessment certificates, so as to ensure that they have possessed the professionalism and professionalism of the nursing profession, as well as the ability to provide nursing care at a remote location. When it comes to postnatal rehabilitation, infant rehabilitation and other types of maternal and child care, we emphasize that every nurse involved in the care must have extensive and direct first-hand experience of nursing care, as well as the relevant qualifications accredited by authoritative institutions, in order to fundamentally safeguard the postnatal mothers, newborns, and other maternal and child patients with special physiological and psychological conditions, and to provide them with effective and scientific nursing care.

3.1.3 Optimizing Medical Device Quality

The Group has obtained the national medical device registration certificate and strictly complies with national and industrial regulations such as the "Supervision and Administration of Medical Devices《醫療器械監督管理》". The Group has formulated and implemented the "Quality Management System for Medical Device Operation《醫療器械經營質量管理制度》", which clearly delineates the duties and responsibilities of the bodies corporate of the Company, the responsible person of the enterprise, the Quality Department, the person in charge of quality, the Business Department and the purchasers, so as to carry out a whole process of quality control from the purchasing audit to the after-sale service and quality tracking to ensure that we can deliver high quality medical equipment and services to our customers.

In order to ensure that the quality of medical devices meets the requirements, we have implemented the quality management self-inspection system in accordance with the "Execution and Assessment Management System for Quality Management System《質量管理制度執行與考核管理辦法》", whereby a series of key areas are inspected and assessed on a semi-annual basis. Each department conducts self-inspection of the implementation of the quality management system and takes responsibility for failure to comply with the requirements based on the severity of the case, the size of the loss and the attitude of admission of fault; quality management personnel conduct inspections and assessments of the quality management work of the Group's various departments, which cover a wide range of areas such as training in compliance with laws and regulations, auditing of the first product, records of the sales chain, health and hygiene records of personnel, and maintenance of equipment. In addition, we have elaborately compiled the "Equipment Operation and Maintenance Guide《設備操作與保養指南》", which is convenient for customers to enquire about the problems they may encounter in the process of using the products and the corresponding solutions to help customers maintain the equipment scientifically and prolong the service life of the equipment. In addition, we are committed to building a comprehensive quality tracking and management system for medical devices. After the devices are sold to customers and used for a certain period of time, we will proactively collect customers' suggestions on improving the quality of the products and provide timely feedback to the manufacturers, so as to continuously improve the performance of the devices according to the suggestions and to ensure that the devices are able to serve the customers in a long term and safe manner.

We strictly follow the relevant provisions of the Regulations on Supervision and Administration of Medical Devices《醫療器械監督管理條例》and set up a long-term supervision mechanism throughout the entire chain of products from procurement to acceptance, storage, sales and after-sales services. Once quality and safety hazards are detected, the Supervisory Department will exercise its veto power on quality and immediately stop the follow-up process to prevent substandard products from entering the market. For medical device products that have quality concerns and need to be recalled, we will strictly follow the purchase acceptance standards for review and acceptance, and make clear acceptance conclusions and detailed records. If a product passes the review process and is judged to be qualified, it will be allowed to enter the qualified products area for subsequent processing; on the contrary, if a product is judged to be unqualified, we will take immediate measures to move it into the unqualified warehouse for storage, and set up a clear sign to indicate the difference. At the same time, we will take appropriate measures to handle these products in accordance with the relevant provisions of the procedure for the identification and handling of substandard products, so as to prevent them from being reintroduced into the market. In addition, we have also established a comprehensive medical device adverse event reporting mechanism, immediately initiated the investigation process of the occurrence of medical device adverse events, recorded the details of the incident, filled in the "Report Form for Adverse Events of Medical Device《醫療器械不良事件報告表》", and reported to the manufacturer and agent, as well as to the Medical Device Administration, so as to jointly discuss the solution to prevent the recurrence of similar incidents.

During this year, the Group did not recall products due to safety and health reasons[1].

3.2 Customer Focus

3.2.1 Healthcare Compliance

As the creator and promoter of China's urban cloud hospital platform model, we have always adhered to the bottom line of compliance, and strictly abided by the laws and regulations in relation to Internet platform and medical service, including the Measures for the Administration of Internet Diagnosis and Treatment (Trial)《互聯網診療管理辦法(試行)》. All of our local organizations have passed the stringent scrutiny of the regional government and have obtained the "Practicing License for Medical Institution《醫療機構執業許可證》" to ensure that we can provide our patients with professional and accurate medical advice. As we are well aware of the special nature of Internet medical services, we will provide risk reminders to patients before the commencement of the diagnostic and treatment interactions to ensure that the patients understand the potential risks and agree to the diagnosis and treatment before commencing the relevant activities. At the same time, there may be obvious individual differences between patients with the same medical condition. In order to avoid the influence of individual differences on doctors' treatment judgement, we require the doctors to pay attention to patients who have not undergone preliminary diagnosis in physical medical institutions, and to guide patients to go to physical medical institutions for further examination and treatment if there is a new change in their conditions or if there is an obvious inappropriateness of online diagnosis.

1 In the Group's Digital Pharmacy business, the drugs are provided by the third-party cooperative medical institutions themselves, so such drugs are not applicable to the recall procedures.

3.2.2 Responsible marketing

The Group practices the concept of responsible marketing, conducts management in accordance with internal systems such as the "Xikang Brand Advertisement Review and Release Management System《熙康品牌廣告審查、發布管理制度》" and the "Xikang Self-media Operation Management System《熙康自媒體運營管理制度》", strictly prohibits the use of sensitive terms, exaggerated effects, and terms that mislead customers in the promotional process, and strictly enforces the "Brand Promotion and Publicity Policies《品牌宣傳推廣政策》", and carries out marketing on the basis of complying with laws and regulations, maintaining the truthfulness, focusing on creativity and sustained investment.

In respect of the sale of medical devices, we manage and sell the products and services provided in strict accordance with the "Medical Device Sales Management System《醫療器械銷售管理制度》". Firstly, when we receive medical devices into our warehouse, we will check one by one whether the labels and packaging markings of the medical devices are compliant and clear, and whether the models and quantities are in line with the purchase list, so as to avoid any impact on the subsequent process. Secondly, due to the special nature of medical devices, we will conduct qualification checks on the purchasing unit, require the agent to provide a valid Medical Device Business License《醫療器械經營許可證》, and keep detailed records of each transaction to ensure that the purchaser has the qualifications to purchase and use the device, which will facilitate after-sales service and product traceability while ensuring sales compliance. Lastly, we undertake that in the marketing and promotion of medical devices, all activities will comply with the relevant standards of the national medical device supervision and management departments, and will not exaggerate the therapeutic effects of the products sold, and will take the initiative to provide customers with the approved instructions for the use of medical devices, and objectively, truthfully and comprehensively present the relevant information on products and services.

In respect of the management of pharmaceutical products, we strictly followed the requirements of the Measures for the Supervision and Administration of Online Pharmaceutical Transactions《藥品網絡銷售監督管理辦法》and other laws and regulations to verify that all of our prescription drug information and advertising captions had been examined and approved by the National Medical Products Administration (NMPA) or its competent branches, and such advertisements shall specify the approval document number.

During this year, the Group did not receive any complaint cases relating to advertisements and labelling of products and services, and there was no incident of violation of laws and regulations relating to health and safety of products and services, advertisements and labelling which had a significant impact on the Group.

3.2.3 Quality Customer Services

The Group implements the service standards of "customer focus", and is committed to providing customers with industry-leading products and services, establishing good customer relations, and continuously enhancing our reputation in the customer base. To this end, we have formulated and implemented the "Quality Complaint Management Regulations《質量投訴管理規定》", the "Telephone Service Quality Inspection Specifications《電話服務質檢規範》", the Telephone Customer Service Officer Performance Plan《電話客服專員績效方案》", the "User Access and Complaint Management System《用戶訪問、投訴管理制度》", standardizing the process of handling customer complaints and clarifying the responsible departments and division of department responsibilities, so as to further enhance the standardization of customer service.

In order to smooth the channels for customers to lodge complaints and to facilitate different types of customers to express their concerns, the Group accepts a wide range of customer complaints, including written, email, online platform, telephone or verbal, etc. Upon receipt of a complaint, the Customer Service Department will firstly reassure the complainant and immediately register and classify the content of the complaint and assign it to the relevant responsible unit for investigation and evidence collection. If the content of the complaint is found to be the responsibility of the Group, we will inform the complainant of the outcome of the complaint in the shortest possible time, and will also negotiate with the complainant on the compensation proposal and strive for the complainant's understanding. Upon completion of the handling of the complaint, the Group will hold the responsible person or department accountable in accordance with the relevant system, and notify the department or the whole Group according to the type of the incident and the extent of the loss, and make corrective actions in the subsequent work.

In addition to passively accepting complaints, the Group has set up a customer interview system to proactively understand customers' feedback on their experience with our products. We keep in touch with our customers through unscheduled visits, written questionnaires, business activities, etc., to promptly collect their opinions and suggestions on our products and service quality, and submit the collected effective feedback to the leaders of the relevant departments, which will provide important references for the formulation of improvement measures in the future. In addition, we have formulated the "Telephone Customer Service Officer Performance Plan《電話客服專員績效方案》", which adopts a quality control mechanism to evaluate the performance of our customer service representatives in three dimensions, namely professionalism, degree of resolution and tone of voice, and the results of the evaluation will be combined with four indicators, namely customer satisfaction, one-time resolution rate of customer problems, and evaluation of relevant personnel, to determine the performance of individuals, so as to motivate our customer service representatives to improve the quality of their services.

During this year, the Group did not receive any complaint cases in relation to products and services.

3.3 Supply Chain Management

Guaranteeing the quality of supply of goods is the prerequisite for the development of our businesses. We have formulated and implemented the "Procurement Management System《採購管理制度》", the "Regulations on Supplier Management《供應商管理規定》" and the "Inventory Management System《庫存管理制度》" and other rules and regulations to regulate the behavior of our suppliers and to promote the long-term, stable and high-quality operation of the Group's supply chain. The Group classifies its suppliers into medical, non-medical and engineering categories. We require that all suppliers, regardless of their types, must meet or exceed the basic supplier selection criteria we have set up, i.e., quality standards, technical standards and commercial standards, such as good bank creditworthiness, obtaining medical device production licenses and operating permits, safety production permits and project qualification documents. All three categories of suppliers must fulfil both the basic selection criteria and the corresponding category criteria before being considered for inclusion in the Group's scope of selection. Priority will be given to suppliers that have passed the quality management (ISO 9000), environmental management (ISO 14000) and occupational health and safety management (ISO 18000) standards for inclusion in the supply chain.

In order to further improve the management level of our suppliers and to ensure that they can provide high-quality services and products on a long-term and stable basis, we conduct annual assessment and evaluation of qualified suppliers. We take quality, cost, delivery/schedule, and service as the four major indicators, and classify the assessment results into four grades: A, B, C, and D. We take restrictive measures against C-grade suppliers, and directly disqualify D-grade suppliers from supplying products. At the same time, we have set up a daily quality tracking system for suppliers, so that when there is a drop in the quality of supply, unstable quality or batch failure, the relevant departments are required to put forward timely rectification requirements to the suppliers, and establish a benign communication mechanism, so as to avoid any loss of the Group's interests.

During this year, the Group had a total of 351 suppliers, all of which are from Mainland China, providing products and services such as system integration, terminal hardware and software equipment, detectors, etc. We have reviewed 28 suppliers.

We take low carbon and environmental protection as an important factor in the selection of suppliers and encourage them to minimize their impact on the environment. We also set out clear environmental requirements in the contracts we sign with our suppliers to ensure that the products they supply comply with national and environmental protection standards. In addition, in order to work together with all parties to achieve sustainable development goals, we continue to strengthen communication and cooperation with our suppliers, promote the message of sustainable development and encourage them to reduce carbon emissions through practical actions.

4. Compliance Operation

The Group regards compliance and operating with integrity as the cornerstone of its sustainable operation and has formulated a number of anti-corruption and intellectual property management systems to create a clean and honest healthcare service environment and fulfil our commitment to business ethics.

4.1 Upholding Integrity Red Line

The Group adheres to a "zero-tolerance" attitude towards corruption and strictly complies with the Audit Law of the People's Republic of China《中華人民共和國審計法》, the Regulations on Implementation of the Audit Law of the People's Republic of China《中華人民共和國審計法實施修例》, the Regulations of the National Audit Office on Internal Auditing《審計署關於內部審計工作的規定》, the Basic Standards for Enterprise Internal Control《企業內部控制基本規範》, the Basic Rules for Internal Auditing《內部審計基本準則》 and other laws and regulations. We have formulated internal standards such as the "Administrative System of Reporting and Monitoring《舉報監察管理制度》", the "Internal Audit System《內部審計制度》", the "Supervision and Compliance Management System《監管合規管理制度》" and the "Code of Business Conduct《業務行為準則》" in accordance with the Group's business characteristics, thereby establishing a complete integrity management system at the institutional level.

The Group strictly enforces compliance management and internal audit system, strictly prohibits anti-fraud and anti-corruption, anti-trust and anti-competition, anti-bribery and other irregularities, and has set up the Risk Management Committee, Compliance Officer, legal compliance post and other organizations and positions to perform different duties in compliance management, covering compliance risk identification, assessment, monitoring and reporting, etc. Each department is regularly assessed on its ability and effectiveness in managing compliance risks and the results of the assessment are incorporated into the performance appraisal system to encourage staff to proactively comply with the relevant requirements and stay away from the compliance red line. In addition, the Group conducts internal audits on a regular basis, led by the Audit Team of the Corporate Development Department, to assess the appropriateness, legality and effectiveness of the Group's operating, investment and fund-raising activities by means of review and evaluation, and to classify the audit results in accordance with the severity of the audit, and to provide advice on internal control for subsequent rectification, so as to ensure the legality of the Group's operating activities in accordance with the law and compliance with the regulations.

The Group regards the cultivation of a compliance culture as an important part of compliance management and promotes the implementation of the "Code of Business Conduct《業務行為準則》", which clearly elaborates the Company's business that employees may come into contact with and the corresponding requirements for clean and honest behavior, for example, employees are required to refrain from engaging in bribery or soliciting for bribery in the course of cooperation with third parties, to bear in mind the principle of conflict of interest at all times, and to report any situation that may be detrimental to the Group's interests in a timely manner, and to seek the Group's approval before proceeding further, etc. In our day-to-day operations, we have put in place compliance incentives and restrictions, emphasizing both rewards and penalties, and from time to time conducted anti-fraud and anti-corruption training for our directors and staff, in order to create a positive culture of integrity and compliance.

The Group has set up an anti-fraud reporting hotline and email box. Upon receipt of a report, we will strictly manage the confidentiality of the whistleblower and the content of the report, and combat any discrimination, retaliation or hostile behaviour. We will take immediate action against any irregularities detected and, if necessary, refer them to the judicial authorities for action.

During the Reporting Period, we did not receive any new lawsuits or identify any cases of corruption, bribery, extortion, fraud and money laundering against the Group or employees.

4.2 Protecting Intellectual Property Rights

The Group respects and protects innovations and strictly abides by the Copyright Law of the People's Republic of China 《中華人民共和國著作權法》, the Patent Law of the People's Republic of China 《中華人民共和國專利法》, the Trademark Law of the People's Republic of China 《中華人民共和國商標法》, the Regulation on the Protection of the Right of Communication to the Public on Information Networks 《信息網絡傳播權保護條例》, the Regulations on the Protection of Computer Software 《計算機軟件保護條例》, the Measures for the Administration of Internet Domain Names 《互聯網域名管理辦法》 and Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services 《工業和信息化部關於規範互聯網信息服務使用域名的通知》 and other laws and regulations, in order to protect the intellectual property rights from being infringed upon.

The Group put in place a number of regulations to protect its own intellectual property rights from being infringed upon while fully respecting the intellectual property rights of others. We require all employees to sign a confidentiality agreement to maintain strict confidentiality of information involving the Company's intellectual property rights that they come into contact with in the course of their work, and to establish the awareness that intellectual property rights belong to the Company's assets, and they are not allowed to sell, transfer, or disclose information about the Company's intellectual property rights in any way, or else they will be dealt with in accordance with the relevant regulations. In addition, we have implemented the "Management System on Genuine Business Software 《正版化商業軟件管理制度》", which requires departments to purchase genuine software systems and employees to use genuine software, and not to use unauthorized software or copy, sell or give away genuine software without authorization.

During this year, in terms of the intellectual property, the Group had registered a total of 157 software, 12 art copyrights and 4 trademarks, etc.

5. Excellent Talent Team

Talent is an important support for the development of enterprises. The Group adheres to the principle of employment compliance, provides outstanding talents with market-competitive remuneration packages so as to create a healthy, safe and harmonious working environment, and provide a professional career development platform to help employees grow up and become successful, thereby contributing to the Group's long-term and stable development.

As of December 31, 2024, the Group had a total of 855 employees. The following table shows the distribution of the Group's employees by gender, employee category, age and regional group for this year:

Employee Distribution	Unit	Number of Employees
By Gender		
Female employees	Number of people	599
Male employees	Number of people	256
By Employee Category[2]		
Full-time junior employees	Number of people	820
Full-time middle management	Number of people	31
Full-time senior management	Number of people	4
By Age Group		
Employees aged below 30	Number of people	139
Employees aged 30 to 50	Number of people	585
Employees aged above 50	Number of people	131
By Region		
Northern China region	Number of people	3
Northeast China region	Number of people	379
Eastern China region	Number of people	295
Central China region	Number of people	110
Northwestern China region	Number of people	54
Southern China region	Number of people	14

2 No part-time employees were employed by the Group for this year.

5.1 Improving Compliant Employment

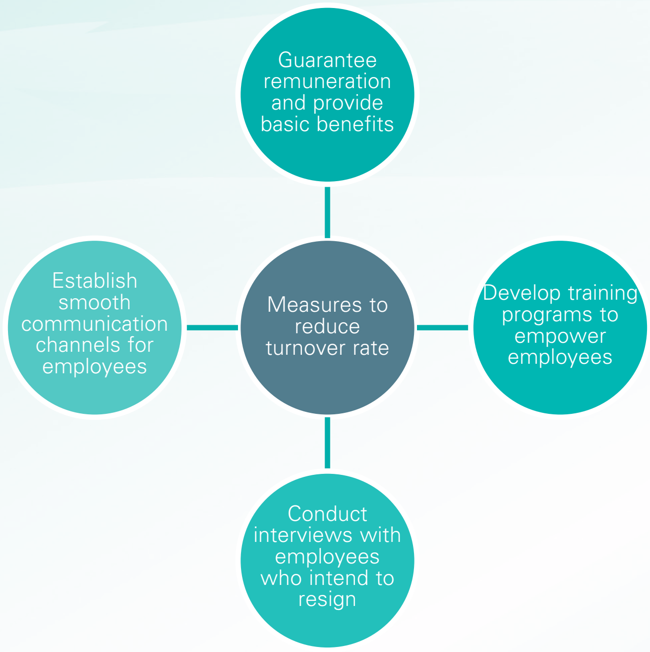
The Group strictly complies with the Labor Law of the People's Republic of China《中華人民共和國勞動法》, the Labor Contract Law of the People's Republic of China《中華人民共和國勞動合同法》, the Law on the Protection of Minors of the People's Republic of China《中華人民共和國未成年人保護法》, the Provisions on the Prohibition of Using Child Labor《禁止使用童工的規定》and other relevant laws and regulations, and fulfils its social responsibilities as an employer. We publish the Employee Handbook, which explains in detail the Group's regulations on recruitment and dismissal, remuneration and benefits, code of conduct, performance management, etc. It provides employees with detailed, accurate and easy-to-access information and protects their labor rights and interests.

Employment Management Standard

In the recruitment of employees, the Group adheres to the principles of "clear standards, fairness and openness, operational procedures and selection of candidates on merit". The Group recruits talents through two types of channels, namely internal and external channels, including staff referrals, internal competitions, recruitment websites, online communities, official websites and microblogs, etc., to ensure that the Group is able to effectively attract talents of all kinds. The Human Resources Department of the Group formulates the staffing budget every year in accordance with the overall strategy of the Company. In screening the candidates, the department focuses on the competency of the candidates in terms of their professional competency, overall quality and suitability for their positions, and does not include factors such as gender, age, nationality and race in the scope of examination, and avoids the related persons of the Group's existing staff members.

The Group is committed to enforcing its labor standards and eliminating any form of child employment and forced labor. Upon joining the Group, we require our employees to provide their identity information to verify their age, and we sign formal labor contracts with those who meet the employment standards, so as to clarify the rights and obligations of both employers and employees, and take necessary measures, including the termination of the labor contract, in the event of any non-compliance. In addition, when signing labor contracts, we will specify the number of regular working hours with our employees. If overtime work is required due to operational needs, employees are required to submit an application for approval before they can work overtime, and the Group will provide them with overtime pay or time off as compensation. During the year, we had no incidents of child labor or forced labor.

We have adopted a number of measures to retain our talents, including open communication channels and continuous staff empowerment to reduce staff turnover. When an employee proposes to resign, we will take the initiative to understand the reason and conduct the resignation procedures and work handover in accordance with laws and regulations, fully respecting the employee's choice. If an employee raises issues about the Group's human resources management, we will make improvements in the future and continue to optimize the talent management system.



During the Reporting Period, the Group did not violate any laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, etc., and there was no case of non-compliance relating to the hiring or employment of child labor or forced labor.

Remuneration and Benefit System

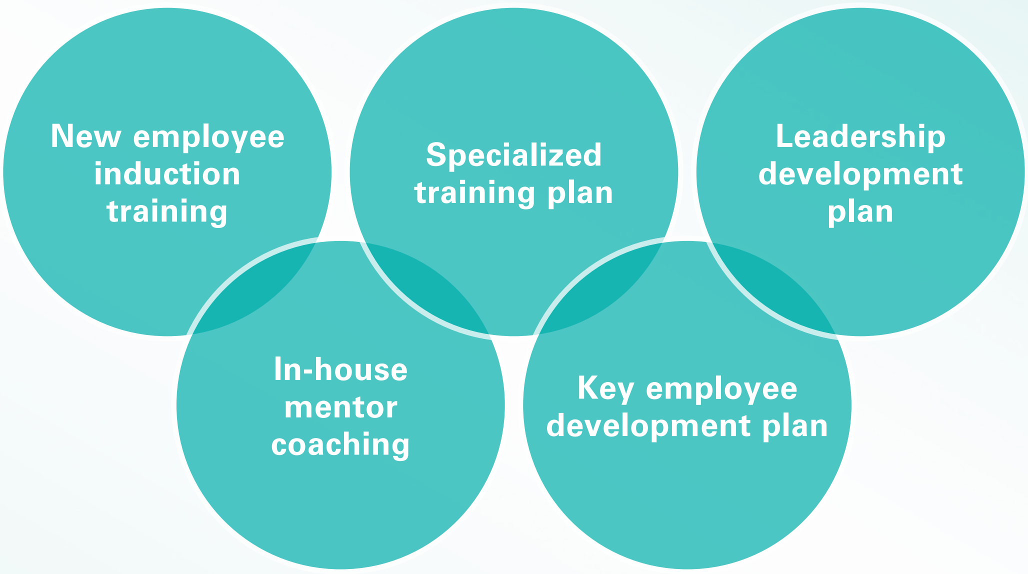
In order to maintain the Group's attraction to outstanding talents and to motivate our team to develop in the long run, we have established and continuously improved the "Remuneration Management System《薪酬管理制度》" that is fair and transparent. The system not only provides employees with basic salary protection, but also offers considerable incentive bonuses for outstanding performance. In addition to basic salary, we also provide cash benefits such as performance pay, year-end bonus, wedding gratuity, funeral gratuity, maternity gratuity, etc., as well as "six insurances and one pension (六險一金)" and traditional festival gifts. In terms of holidays, in addition to statutory holidays, we also provide employees with annual leave, marriage leave, maternity leave, nursing care leave, as well as family visit leave, special incentive leave and other special welfare leave, to fully protect the rights and interests of employees. In addition, we strictly implement the "Performance Management System《績效管理制度》" and the "Attendance Management System《考勤管理制度》", through the daily attendance and regular performance appraisal, combined with the assessment results, competency assessment, performance and other factors to assess the performance of employees, and adjust the salary, promotion and bonus, and share corporate development achievements with the employees, thus fully stimulating the potential and initiative of employees.

During the Reporting Period, the Group did not discover any violations of laws and regulations regarding holidays and other benefits that would have a significant impact on the Group.

5.2 Nurturing Talents for Progress

The Group attaches great importance to the development and training of talents and strives to assist every employee in achieving their career goals. We provide training programs tailored to different types of employees based on their career stages. Through the standardized training platform provided by the Company, we aim to enhance employees' work abilities and professional qualities, continuously tap into their potential, and help them grow and succeed.

The trainings we organized included:



Training type	Training content
New employee induction training	• Help new employees understand the Company's general situation of development and rules and regulations, and understand and identify with our corporate culture
In-house mentor coaching	• Assign a mentor to each new employee to guide him/her in acquiring necessary knowledge and skills
Specialized training plan	• Carry out specialized trainings for different groups of people, such as specialized training programs for general practitioners and health managers, management trainees, product managers, top sales, etc.
Key employee development plan	• Provide more development opportunities and exchanges by formulating personalized development plans (such as high-level attention, mentor coaching, peer exchanges, specialized training, etc.)
Leadership development plan	• Leadership development maps support critical junctures along the career ladder • Help employees reorganize their values in all areas of life and comprehensively improve productivity and leadership

During the Reporting Period, all employees of the Group received various types of trainings. The chart below shows the training of employees:

Training of employees		Average training hours (hours)	Percentage of employees trained (%)[3]
By gender	Female employees	12.22	91.32
	Male employees	10.10	91.80
By employee category	Full-time junior employees	11.29	91.10
	Full-time middle management	18.82	100.00
	Full-time senior management	10.13	100.00

5.3 Healthy and Harmonious Workplace

Employees' happiness and sense of belonging at work mainly lie in a healthy, safe and harmonious working environment. We strictly abide by the laws and regulations such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases《中華人民共和國職業病防治法》, the Law of the People's Republic of China on Work Safety《中華人民共和國安全生產法》, the Fire Control Law of the People's Republic of China《中華人民共和國消防法》, the Provisions on the Supervision and Administration of Occupational Health at Workplaces《工作場所職業衛生監督管理規定》and the Regulations on Work-related Injury Insurance《工傷保險條例》to improve internal health and safety system and strengthen employees' awareness of health and safety.

We provide safety education and training to our employees to familiarize them with the Company's safety regulations and basic emergency response measures. We require employees engaged in radiation-exposed work to receive professional technical training before they are licensed for work, and arrange for them to undergo occupational health examinations at designated professional medical and health institutions to reduce the risk of occupational diseases. We strictly prohibit anyone from smoking in the Group's workplace and have installed smoke alarms and automatic sprinkler systems in multiple locations within the Group to create a smoke-free working environment and protect the physical health and property of employees. We also require employees to keep a normalized safety awareness in daily work, and maintain the Company's safety equipment like their own. If employees identify any safety hazards in the workplace or equipment within the Group, they should immediately report to their direct supervisors, follow the command of professionals and remain vigilant. If necessary, they should suspend work and evacuate to designated locations until the risks are eliminated.

During the Reporting Period, the Group did not violate any relevant laws and regulations on the provision of a safe working environment and the protection of employees against occupational hazards, nor did it receive any reports on the number of working days lost as a result of occupational injuries, or the occurrence of employees' deaths arising out of their work relationships in the past three years.

3 Calculation method: the number of employees trained in this category divided by the total number of employees trained, rounding to the nearest integer

Employee Care

Xikang Cloud Hospital values the thoughts and demands of its employees. We have specially formulated an "Internal Communication System 《內部溝通制度》" and set up various channels such as face-to-face exchange, meeting, communication in writing and online to eliminate communication barriers in departmental collaboration and transmission. We listen to employees' voices and appeals in a timely manner, reduce conflicts and misunderstandings, and improve work efficiency.

Monthly "Department Communication Meeting"

- Managers of each department should conduct regular monthly communication with employees in their departments

Quarterly "Senior Management Face-to-Face"

- Senior management of each business line have regular face-to-face communication with employees of the business lines which they are responsible for every quarter

Semi-annually "President Reception Day"

- Hold 1-2 sessions regularly every half a year
- Collect the effective work-related issues and suggestions reported by employees and hand over to the relevant departments, keep track of the implementation and feed the implementation results back to the president

In addition, we also organize various team building and cultural and sports activities to promote communication among employees from various departments, strengthen mutual understanding, and relieve their work pressure, helping them balance work and rest and better engage in work. During the year, we held employee activities covering multiple themes such as environmental protection, healthy lifestyle of traditional Chinese medicine, summer care, and Mid-Autumn Festival, effectively helping employees balance work and life.

Activity 1: "Go Green with Low Carbon and Eco-friendliness" (低碳環保，綠色有我) series

In 2024, the Company launched the "Go Green with Low Carbon and Eco-friendliness" themed activity, which comprised two parts: green desk selection and eco-friendly market. In the events, employees made eco-friendly bags, claimed potted plants, and exchanged unneeded stuff, helping employees raise awareness of low-carbon conservation in daily work and life, and practice eco-friendly concepts through small things in life.

Activity 2: "Live Healthily Since Young" (脆皮青年養生局) series

To further care for the physical health of employees and promote the culture of traditional Chinese medicine, the Company launched the "Live Healthily Since Young" themed activity. In the event, employees made sachets and mallets filled with traditional Chinese medicine. By popularizing knowledge of traditional Chinese medicine to employees, and making practical medicinal tools, we encouraged employees to pay attention to their physical health and develop good living habits.

6. PRACTICING ECO-FRIENDLY CONCEPTS

As a pioneer in digital healthcare services, Xikang Cloud Hospital actively responds to the national "dual carbon" strategy, and takes multiple measures to reduce environmental pollution in its business process in strict compliance with the Environmental Protection Law of the People's Republic of China《中華人民共和國環境保護法》, the Water Pollution Prevention and Control Law of the People's Republic of China《中華人民共和國水污染防治法》, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution《中華人民共和國大氣污染防治法》, the Regulations on the Administration of Medical Wastes《醫療廢物管理條例》, the Measures for Medical Wastes Management of Medical and Health Institutions《醫療衛生機構醫療廢物管理辦法》 and the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes《中華人民共和國固體廢物污染環境防治法》 and other laws and regulations.

The Group's core operating activities are concentrated in our office business and self-operated health management centers. We do not directly own or operate any data center facilities and all of our data are securely hosted on external public or private cloud server platforms. Given our profound understanding of the correlation between energy consumption and greenhouse gas emissions, as well as the potential climate risks in our business, we have carefully planned and implemented a set of energy conservation and emission reduction strategies, and have specifically designated professional energy conservation administrators to ensure the effectiveness of the Group's environmental policies. In the mean time, we spare no effort to promote new ideas of green management, and advocate the importance of green development through various channels and forms, in a bid to form a joint effort within and outside the Group to practice eco-friendly concepts.

During the Reporting Period, the Group was not aware of any cases of violation of environmental protection laws and regulations.

We have set directional objectives:

Objectives	
Greenhouse gas emissions and energy use efficiency	Reduce electricity consumption and greenhouse gas emissions by 5% of our self-owned medical institutions based on consumption in 2022
Water efficiency	Reduce water consumption by 5% of our self-owned medical institutions based on consumption in 2022
Reduce waste	Taking 2022 as the baseline year, reduce the density of medical waste by 2% to 5% by 2028

During this year, our greenhouse gas emissions, water consumption and medical waste decreased but our electricity consumption increased compared to 2023. We will continue to implement the Group's measures to save energy and water and reduce waste. The Group is committed to the implementation of environmental management system. The environmental management system has been implemented in a number of subsidiaries and affiliates, and has obtained certification of relevant management systems.

Environmental Management System Certification (GB/T24001-2016/ISO 14001:2015)

6.1 Resource Consumption Management

The Group actively implements the concept of sustainable green development. After reviewing its business characteristics, the Group found that energy consumption was mainly attributable to offices and self-operated health management centers. Accordingly, we closely integrate our concept with daily business operation, focus on green and digital office, and promote the orderly implementation of measures such as equipment emission reduction and electricity conservation within the Group. For example, we arrange property security guard to switch off lighting, air-conditioning and other power supplies according to the pre-set schedule, monitor power consumption on the backend and attend to details in daily operation to improve energy efficiency and minimize resource waste. During the Reporting Period, our electricity consumption was 2,049,987.43 kWh.

Our greenhouse gas emissions primarily come from electricity consumption in our offices. We conduct greenhouse gas review for the Group in accordance with the Greenhouse Gas Protocol《溫室氣體盤查議定書》developed by World Resources Institute and World Business Council for Sustainable Development and the ISO14064-1 established by International Organization for Standardization. During the Reporting Period, the summary of greenhouse gas emissions was as follows:

Greenhouse Gas (GHG) Emissions	**Unit**	2023	**2024**
Direct GHG emission (Scope 1)	tonnes CO_2e	42.85	**34.75**
Indirect GHG emission (Scope 2)	tonnes CO_2e	1,140.00	**1,100.02**
Total GHG emission (Scope 1&2)	tonnes CO_2e	1,182.85	**1,134.77**
Intensity of GHG emission (per RMB million of revenue) (Scope 1&2)	tonnes CO_2e/RMB million of revenue	2.20	**2.26**
GHG emission per employee (Scope 1&2)	tonnes CO_2e/employee	1.36	**1.66**

Scope 1: Greenhouse gas emissions generated from all sources owned and controlled by the Group.

Scope 2: Greenhouse gas emissions incurred by electricity generation, heating and cooling, or vapours purchased by the Group from external sources, including electricity consumption in the operation of the Group.

In addition, the Group continues to manage the use and discharge of water, and reduce water consumption in our daily operation by posting prominent signage, improving water system performance, and promoting a culture of water conservation. During the Reporting Period, our total water consumption was 12,236.15 m^3, with the water consumption intensity of 17.92 m^3 per employee and 24.40 m^3 per RMB million of revenue. We have not encountered any issues relating to access of water resources.

6.2 Disposal of Waste

We are well aware of the significant differences between medical waste and ordinary waste, and dispose of medical waste in accordance with relevant regulations. We require each health management center under the Group to strictly follow regulations, set up bins for medical waste classification according to regulations, and carefully classify various medical wastes, especially infectious wastes, damaged waste, chemical wastes, pathological wastes and pharmaceutical wastes, which need to be sealed in dedicated garbage bags, labeled with clear information, and handed over to qualified processors for subsequent processing. We require that sharp waste generated be placed by relevant personnel in special containers and transported by hand. In addition, each health management center is required to hand over medical wastes appropriately to processors, keep detailed records, and maintain relevant files properly.

We take active measures to reduce waste of paper, advocate the reuse of printed waste paper, encourage employees to use duplex printing as much as possible to maximize paper efficiency, and introduce OA system to press ahead paperless office. In addition, we take actions to continuously raise employees' awareness for environmental protection, keep a close eye on the resources and materials we use in our daily operation, and minimize waste in daily operation through recycling and reuse. To further improve the waste management process, we adopt the full lifecycle concept, continuously increase efforts to reduce wastes from the source, process, recycling and other processes, and actively explore and adopt more environmentally friendly methods and measures to handle and reduce wastes, with a view to achieving maximum material recycling.

As the Group's businesses do not involve packaging materials used in finished products, during the Reporting Period, we generated a total of 156,359.30 kg of non-hazardous wastes, with 311.78 kg per RMB million of revenue, and generated hazardous wastes (medical wastes) of 26,338.23 kg.

6.3 Responding to Climate Change

Faced with the global challenge of climate change confronting the world today, the Group is acutely aware of the serious risks posed to corporate operations. As such, we have taken a variety of proactive measures to respond to climate change in managing risks related to climate change. These efforts enable us to systematically identify the physical risks and transition risks brought about by climate change so that we can develop targeted response strategies. We expect to create long-term value for our employees, shareholders and society even in the context of climate change. To this end, we will continuously track the latest changes in requirements, carefully evaluate the effectiveness of climate change policies and related measures, and explore the inclusion of environmental factors in business decisions to actively promote and support the fight against climate change.

Climate change is one of the major challenges facing the world today, and various industries are actively taking action to address potential risks. Based on an in-depth analysis of its own business characteristics, the Group identifies, evaluates and manages physical risks and transition risks related to climate change, and takes environmental factors into account while making business decisions. We timely review the effectiveness of climate change policies and measures, and take mitigation measures, hoping to effectively address the changes that climate risks may bring and constantly create lasting value for employees, shareholders and society.

Risk types	Potential consequences	Mitigating actions
Acute risks – Frequent occurrence of extreme weather such as storms and typhoons	• Causing damage to equipment and affecting operations; • Impacting the safety of employees; • Interruption or instability of network services caused by unstable power supply.	• Conducting regular drills; • Enhancing the protection of equipment; • Purchasing insurance for equipment and transferring risks; • We have formulated the policy of the "Network Backup and Disaster Recovery Specifications《網絡備份及災難恢復規範》" and devised emergency response plans of information systems under extreme weather; • Making a backup of the data.
Chronic risks – continuous high temperature	• The increased demand for refrigeration of equipment has led to an increase in operating costs;	• Developing energy-saving measures to reduce energy use.
Transition risks – policy and regulation risks	• The implementation of stricter environmental regulations will increase compliance costs.	• Strict compliance with related environmental regulations; • Keeping up to date with the latest environmental regulations.

7. SOCIAL SERVICES

Xikang Cloud Hospital regards fulfilling its social responsibilities as a sacred mission. We exert our unique advantages of "Internet + Care Service" to serve as a good "corporate citizen" and act as a bridge between hospitals and residents for their convenience. We bring professional medical services into every household by ways both online and offline to provide more convenient services.

In March 2024, the "Safeguard Health Together (專曙健康，醫企守護)" free clinic was successfully held by the Health Bureau of Haishu District, Ningbo (寧波市海曙區衛生健康局), organized by the Labor Union of Ningbo Seduno Group, Haishu No.2 Hospital, Haishu No.3 Hospital (海曙區第三醫院), Haishu Traditional Chinese Medicine Hospital, and Haishu Stomatological Hospital (海曙區口腔醫院), and co-organized by Ningbo Cloud Hospital in Ningbo. More than 1,600 residents came for the free clinic during this event. Ningbo Cloud Hospital provided platform entry services for 45 doctors in the free clinic, helping to empower corporate development with high-quality medical services and providing patients with caring health services.

On the occasion of Nurses' Day in May 2024, Hangzhou Hospital of Traditional Chinese Medicine, Hangzhou Children's Hospital, and other parties provided online free clinic through "Care in Zhejiang (浙里護理)". In addition, activities such as health service and free clinic for outdoor workers, traditional Chinese medicine free clinic focusing on elderly falls themed "Daily Life of the Elderly (不倒翁的日常生活)", and traditional Chinese medicine free clinic for enterprises were also carried out through "Care in Zhejiang (浙里護理)". "Kind Care (盛情護理)" and "YuJian Huli Daojia (豫健護理到家)" offered online free consultation in June, October, and November respectively. We focus on advantageous areas and seek to build a bridge for communication between the community and patients, demonstrating our sense of responsibility.

Poster of free clinic for Nurses' Day on May 12

"Daily Life of the Elderly (不倒翁的日常生活)" event

Traditional Chinese medicine free clinic for enterprises

Free clinic for outdoor workers

APPENDIX I: SUMMARY OF SUSTAINABLE DEVELOPMENT DATA

Environmental Aspect	Unit	2023	2024[4]
Greenhouse Gas (GHG) Emissions[5]			
Direct GHG emission (Scope 1)	tonnes CO_2e	42.85	**34.75**
Indirect GHG emission (Scope 2)	tonnes CO_2e	1,140.00	**1,100.02**
Total GHG emission (Scope 1&2)	tonnes CO_2e	1,182.85	**1,134.77**
Intensity of GHG emission per RMB million of revenue (Scope 1&2)	tonnes CO_2e/RMB million of revenue[6]	2.20	**2.26**
Intensity of GHG emission per employee (Scope 1&2)	tonnes CO_2e/employee	1.36	**1.66**
Energy Consumption			
Direct energy consumption	kWh	/	**129,333.33**
Indirect energy consumption	kWh	1,998,949.00	**2,049,987.43**
Total energy consumption	kWh	1,998,949.00	**2,179,320.76**
Energy consumption intensity	kWh/RMB million of revenue[6]	3,717.59	**4,345.60**
Electricity Consumption			
Consumption of purchased electricity	kWh	1,998,949.00	**2,049,987.43**
Consumption of purchased electricity per RMB million of revenue	kWh/RMB million of revenue[6]	3,717.59	**4,087.71**
Consumption of purchased electricity per employee	kWh/per employee	2,292.37	**3,001.45**
Water Consumption			
Total water consumption	m^3	14,776.00	**12,236.15**
Water consumption per RMB million of revenue	m^3/RMB million of revenue[6]	27.48	**24.40**
Water consumption per employee	m^3/employee	16.95	**17.92**
Paper Consumption			
Total paper consumption	kg	23,939.73	**10,165.08**
Paper consumption per employee	kg/employee	27.45	**14.88**
Waste Generated			
Total non-hazardous waste generated	kg	240,626.40	**156,359.30**
Non-hazardous waste generated per employee	kg/employee	275.95	**228.93**
Total hazardous waste generated[7]	kg	32,602.00	**26,338.23**
Intensity of hazardous waste	kg/employee	37.89	**38.56**

4 During this year, the environmental key performance indicators were collected from the Group's medical institutions and offices mainly located in Shenyang, Changsha, Ningbo, Chengdu, Xi'an, Dandong, Fuzhou, and Shanghai in China. In 2024, the office in Hefei ceased operation and hence is not included in this year's data.

5 The Group's GHG emissions was calculated with reference to "How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" from the Stock Exchange.

6 Revenue data are from the 2024 Annual Report.

7 Hazardous wastes include medical wastes.

Social Aspect	Unit	2023	2024
Number of Employees			
Total number of employees	Number of people	962	**855**
Number of Employees (By Gender)			
Female	Number of people	645	**599**
Male	Number of people	317	**256**
Number of Employees (By Employee Category)			
Full-time junior employees	Number of people	910	**820**
Full-time middle management	Number of people	45	**31**
Full-time senior management	Number of people	7	**4**
Number of Employees (By Age Group)			
Below 30	Number of people	200	**139**
31-50	Number of people	630	**585**
Above 50	Number of people	132	**131**
Number of Employees (By Region)			
Northern China region	Number of people	6	**3**
Northeast China region	Number of people	397	**379**
Eastern China region	Number of people	367	**295**
Central China region	Number of people	119	**110**
Northwestern China region	Number of people	56	**54**
Southern China region	Number of people	17	**14**
Turnover Rate[8]			
Total turnover rate of employees	%	32.21	**30.37**
Turnover Rate of Employees (By Gender)			
Female	%	32.03	**29.69**
Male	%	32.55	**31.91**
Turnover Rate of Employees (By Age Group)			
Below 30	%	41.52	**40.60**
31-50	%	29.13	**26.60**
Above 50	%	29.79	**33.50**

8 The calculation method of turnover rate for different categories of employees: number of departed employees in such category ÷ (number of departed employees + number of employees in such category at the end of the year) × 100%

Social Aspect	Unit	2023	2024
Turnover Rate of Employees (By Region)			
Northern China region	%	57.14	**50.00**
Northeast China region	%	33.16	**24.05**
Eastern China region	%	32.66	**39.05**
Central China region	%	30.41	**27.15**
Northwestern China region	%	20.00	**20.59**
Southern China region	%	32.00	**30.00**
Occupational Health and Safety			
Number of work-related fatalities occurred in each of the past three years including the Reporting Period	Number of people	0	**0**
Rate of work-related fatalities occurred in each of the past three years including the Reporting Period	%	0.00	**0.00**
Number of lost days due to work injury	Day(s)	0	**0**
Development and Training			
Percentage of Employees Trained, By Gender[3]			
Female	%	89.15	**91.32**
Male	%	82.65	**91.80**
Percentage of Employees Trained, By Employee Category			
Full-time junior employees	%	86.26	**91.10**
Full-time middle management	%	100.00	**100.00**
Full-time senior management	%	100.00	**100.00**
Average Hours of Training for Employees, By Gender			
Female	Hour(s)	7.45	**12.22**
Male	Hour(s)	7.48	**10.10**
Average Hours of Training for Employees, By Employee Category			
Full-time junior employees	Hour(s)	7.72	**11.29**
Full-time middle management	Hour(s)	3.13	**18.82**
Full-time senior management	Hour(s)	1	**10.13**

Appendix II: Content Index of the Environmental, Social and Governance Report Guide

Indicator Contents			Relevant Chapter
A. Environmental Scope			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6. Practicing Eco-friendly Concepts
	A1.1	The types of emissions and respective emissions data.	Appendix I: Summary of Sustainable Development Data
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) total greenhouse gas emissions and intensity.	Appendix I: Summary of Sustainable Development Data
	A1.3	Total hazardous waste produced and intensity.	Appendix I: Summary of Sustainable Development Data
	A1.4	Total non-hazardous waste produced and intensity.	Appendix I: Summary of Sustainable Development Data
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	6. Practicing Eco-friendly Concepts
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6. Practicing Eco-friendly Concepts
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6. Practicing Eco-friendly Concepts
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Appendix I: Summary of Sustainable Development Data
	A2.2	Water consumption in total and intensity.	Appendix I: Summary of Sustainable Development Data
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6. Practicing Eco-friendly Concepts
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6. Practicing Eco-friendly Concepts
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable to the Group

Indicator Contents			Relevant Chapter
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6. Practicing Eco-friendly Concepts
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Practicing Eco-friendly Concepts
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.3 Responding to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.3 Responding to Climate Change
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5. Excellent Talent Team
	B1.1	By gender, employment type, age group and geographical region.	Appendix I: Summary of Sustainable Development Data
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Summary of Sustainable Development Data

Indicator Contents			Relevant Chapter
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Healthy and Harmonious Workplace
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3 Healthy and Harmonious Workplace; Appendix I: Summary of Sustainable Development Data
	B2.2	Lost days due to work injury.	5.3 Healthy and Harmonious Workplace; Appendix I: Summary of Sustainable Development Data
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Healthy and Harmonious Workplace
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Nurturing Talents for Progress; Appendix I: Summary of Sustainable Development Data
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Summary of Sustainable Development Data
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Summary of Sustainable Development Data
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5. Excellent Talent Team
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5. Excellent Talent Team
	B4.2	Description of steps taken to eliminate such practices when discovered.	5. Excellent Talent Team

Indicator Contents			Relevant Chapter
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.3 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	3.3 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.3 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.3 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.3 Supply Chain Management
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1 Quality Assurance; 3.2 Customer Focus; 4.2 Protecting Intellectual Property Rights
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.1.3 Optimizing Medical Device Quality
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.2.3 Quality Customer Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.2 Protecting Intellectual Property Rights
	B6.4	Description of quality assurance process and recall procedures.	3.1.1 Maintaining Medical Data Security; 3.1.2 Enhancing Medical Service Standards; 3.1.3 Optimizing Medical Device Quality
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.1.1 Maintaining Medical Data Security

Indicator Contents			Relevant Chapter
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.1 Upholding Integrity Red Line
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.1 Upholding Integrity Red Line
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.1 Upholding Integrity Red Line
	B7.3	Description of anti-corruption training provided to directors and staff.	4.1 Upholding Integrity Red Line
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Social Services
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Social Services
	B8.2	Resources contributed to the focus area.	7. Social Services

Independent Auditor's Report

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To the shareholders of Xikang Cloud Hospital Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Xikang Cloud Hospital Holdings Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 136 to 255, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition The Group primarily generates its revenue from the provision of medical services, nursing services and health management services. Revenue of RMB501,496,000 was recognised for the year ended 31 December 2024. Revenue is recognised when the control of the goods or services are transferred to the customer, at a point in time or over time, depending on the terms of the contracts. The Group's majority of revenue was recognised at a point in time, when the goods and services were received and accepted by the customers. We considered revenue recognition a key audit matter as there is an inherent risk based on the fact that the Group generated a variety of revenue from the massive volume of transactions and the large number of customers. Disclosure of the Group's revenue is included in note 5 to the consolidated financial statements.	Our audit procedures included, but not limited to, the following: • Obtained an understanding of the revenue cycle and performed walkthroughs for all significant streams and tested controls in revenue recognition; • Reviewed and evaluated the revenue recognition policy by inquiring the management and reviewing sales contracts on a sample basis; • Performed analytical procedures on the Group's revenue and gross profit margin by month and by revenue type; • Tested, on a sample basis, the revenue recognised for the year by tracing the sales supporting documents, including but not limited to executed customer orders, contractual agreements, customers' acceptance reports and payment records; • Tested revenue transactions close to the year end, on a sample basis, to check whether they were recorded in the correct periods; • Performed data analysis on the consistency between the operational and financial data on revenue recognition; • Evaluated the adequacy of the disclosures in the consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on trade receivables As at 31 December 2024, the Group had gross trade receivables of RMB230,982,000 and expected credit loss ("ECL") allowance for trade receivables of RMB129,008,000. ECL allowance for trade receivables reflected the best estimates made by management. Management assessed ECL of trade receivables individually, or in groups with similar nature and risk characteristics. The expected credit loss rates of each group were determined based on the historical credit loss rates and were adjusted to reflect current and forward-looking information on economic indicators and scenarios. We identified the assessment of expected credit losses on trade receivables as a key audit matter due to the significance of the trade receivables balance to the consolidated financial statements and the significant judgement exercised by management in estimating the expected credit losses on trade receivables. Disclosures about the related accounting estimation and ECL allowance for trade receivables are included in notes 3 and 21 to the consolidated financial statements, respectively.	Our audit procedures included, but not limited to, the following: • Obtained an understanding of how management assessed the recoverability and expected credit losses for trade receivables and performed walkthroughs and tested controls on the estimation of the ECL on trade receivables; • Assessed the reasonableness of the ECL model adopted by management based on our understanding on the Group's business and the credit risk characteristics of the trade receivables; • Tested, on a sample basis, the accuracy of ageing schedule of trade receivables by tracing to sales invoices and historical payment records; • Tested the mathematical accuracy of the calculation of ECL allowance for trade receivables; • Evaluated the adequacy of the disclosures in the consolidated financial statements.

Other information included in the annual report

Other information consists of the information included in the Company's 2024 Annual Report other than the financial statements and our auditor's report thereon. We obtained chief executive officer's statement and management discussion and analysis prior to the date of our auditor's report, and we expect to obtain other remaining sections of the annual report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Siu Ki Ricky.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	**501,496**	537,715
Cost of sales		**(353,998)**	(373,106)
Gross profit		**147,498**	164,609
Selling and distribution expenses		**(66,209)**	(96,251)
Research and development expenses		**(42,010)**	(55,580)
Administrative expenses		**(83,233)**	(118,404)
Impairment losses on financial and contract assets, net		**(37,170)**	(6,538)
Other income	5	**16,100**	4,156
Other gains/(losses), net		**4,652**	(1,640)
Finance income	7	**20,897**	5,220
Finance costs	7	**(27,018)**	(38,283)
Share of losses of associates	14	**(17,434)**	(4,925)
Loss before tax	6	**(83,927)**	(147,636)
Income tax credit/(expense)	10	**82**	(7,256)
Loss for the year		**(83,845)**	(154,892)
Other comprehensive income/(loss)			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods			
Exchange differences:			
Exchange differences on translation of a foreign operation		**(286)**	(177)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(286)**	(177)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of the Company's financial statements into presentation currency		**9,941**	(13,776)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**9,941**	(13,776)
Other comprehensive income/(loss) for the year, net of income tax		**9,655**	(13,953)
Total comprehensive loss for the year		**(74,190)**	(168,845)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Loss attributable to:			
Owners of the parent		**(83,053)**	(154,652)
Non-controlling interests		**(792)**	(240)
		(83,845)	(154,892)
Total comprehensive loss attributable to:			
Owners of the parent		**(73,398)**	(168,605)
Non-controlling interests		**(792)**	(240)
		(74,190)	(168,845)
Loss per share attributable to ordinary equity holders of the parent	11		
Basic and diluted (RMB)		**(0.10)**	(0.23)

Consolidated Statement of Financial Position

31 December 2024

	Notes	**31 December 2024 RMB'000**	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	12	**31,684**	28,902
Right-of-use assets	13(a)	**60,689**	81,939
Intangible assets		**2,532**	3,184
Investments in associates	14	**169,559**	186,993
Long-term trade receivables	15	**5,860**	10,073
Prepayments	16	**–**	14
Other receivables	17	**3,251**	–
Deferred tax assets	18	**6,950**	596
Total non-current assets		**280,525**	311,701
Current assets			
Inventories	19	**17,268**	38,096
Assets recognised from costs to fulfil contracts	20	**6,000**	7,321
Trade receivables	21	**101,974**	151,809
Contract assets	22	**6,217**	6,080
Prepayments	16	**7,557**	6,089
Other receivables	17	**35,309**	47,737
Other current assets	23	**7,873**	6,505
Financial assets at fair value through profit or loss	24	**36,842**	144,205
Restricted deposits	25	**12**	1,674
Cash and cash equivalents	25	**760,857**	676,794
Total current assets		**979,909**	1,086,310
Current liabilities			
Trade payables	26	**201,137**	238,652
Contract liabilities	27	**29,013**	31,802
Other payables and accruals	28	**63,923**	68,816
Interest-bearing bank borrowings	29	**510,305**	240,135
Lease liabilities	13(b)	**24,326**	27,708
Tax payables		**2,660**	5,699
Other current liabilities		**66**	36
Total current liabilities		**831,430**	612,848
Net current assets		**148,479**	473,462
Total assets less current liabilities		**429,004**	785,163

Consolidated Statement of Financial Position

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current liabilities			
Contract liabilities	27	**14,145**	14,486
Interest-bearing bank borrowings	29	**–**	269,850
Lease liabilities	13(b)	**39,839**	62,072
Deferred income	30	**4,420**	4,420
Deferred tax liabilities	18	**2,478**	602
Total non-current liabilities		**60,882**	351,430
Net assets		**368,122**	433,733
Equity			
Equity attributable to owners of the parent			
Share capital	31	**1,125**	1,125
Share premium	31	**2,543,431**	2,543,431
Reserves	32	**359,083**	340,865
Accumulated losses		**(2,540,330)**	(2,457,277)
		363,309	428,144
Non-controlling interests		**4,813**	5,589
Total equity		**368,122**	433,733

Liu Jiren
Director

ZONG Wenhong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

		Attributable to owners of the parent							
	Notes	Share capital RMB'000 (note 31)	Share premium RMB'000 (note 31)	Treasury shares RMB'000	Reserves RMB'000 (note 32)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023		940	1,928,654	(368,913)	284,978	(2,297,635)	(451,976)	5,808	(446,168)
Loss for the year		–	–	–	–	(154,652)	(154,652)	(240)	(154,892)
Other comprehensive loss for the year:									
Exchange differences		–	–	–	(13,953)	–	(13,953)	–	(13,953)
Total comprehensive loss for the year		–	–	–	(13,953)	(154,652)	(168,605)	(240)	(168,845)
Capital reduction from shareholders	31	(8)	(16,947)	–	–	–	(16,955)	–	(16,955)
Share-based compensation	33	–	–	–	29,801	–	29,801	21	29,822
Equity transaction with eligible employees		–	–	63,743	40,039	–	103,782	–	103,782
Contributions of initial public offering ("**IPO**") net of underwriting commissions and other issuance costs	31	193	559,812	–	–	–	560,005	–	560,005
Termination of liability with redeemable rights		–	71,912	305,170	–	–	377,082	–	377,082
Others		–	–	–	–	(4,990)	(4,990)	–	(4,990)
At 31 December 2023 and 1 January 2024		1,125	2,543,431	–	340,865	(2,457,277)	428,144	5,589	433,733
Loss for the year		**–**	**–**	**–**	**–**	**(83,053)**	**(83,053)**	**(792)**	**(83,845)**
Other comprehensive income for the year:									
Exchange differences		**–**	**–**	**–**	**9,655**	**–**	**9,655**	**–**	**9,655**
Total comprehensive loss for the year		**–**	**–**	**–**	**9,655**	**(83,053)**	**(73,398)**	**(792)**	**(74,190)**
Share-based compensation	33	**–**	**–**	**–**	**8,563**	**–**	**8,563**	**16**	**8,579**
At 31 December 2024		**1,125**	**2,543,431**	**–**	**359,083**	**(2,540,330)**	**363,309**	**4,813**	**368,122**

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	35	**9,058**	(20,070)
Interest received		**19,941**	3,354
Income taxes paid		**(7,435)**	(3,442)
Net cash flows generated from/(used in) operating activities		**21,564**	(20,158)
Cash flows from investing activities			
Purchases for property, plant and equipment		**(13,438)**	(4,265)
Proceeds from disposal of property, plant and equipment		**264**	380
Purchase of wealth management products		**(224,745)**	(141,680)
Proceeds from disposal of wealth management products		**343,772**	–
Acquisition of subsidiaries	34	**(2,841)**	–
Receipts from disposal of subsidiaries in previous periods		**7,440**	–
Others		**–**	(1,032)
Net cash flows generated from/(used in) investing activities		**110,452**	(146,597)
Cash flows from financing activities			
Contributions of IPO		**–**	567,648
Refund of restricted share subscription paid by employees		**–**	(7,963)
New bank borrowings	35	**240,000**	–
Repayments of bank borrowings	35	**(239,570)**	(280)
Payments for interests	35	**(23,472)**	(25,159)
Payments of lease liabilities	35	**(26,602)**	(26,879)
Payments for lease deposits		**(285)**	(146)
Payments of listing expenses		**(6,633)**	(2,453)
Net cash flows (used in)/generated from financing activities		**(56,562)**	504,768
Net increase in cash and cash equivalents		**75,454**	338,013
Cash and cash equivalents at the beginning of the year		**676,794**	350,748
Effects of exchange rate changes on cash and cash equivalents		**8,609**	(11,967)
Cash and cash equivalents at end of year	25	**760,857**	676,794
Analysis of balances of cash and cash equivalents			
Cash and bank balances	25	**760,869**	678,468
Less: Restricted deposits	25	**(12)**	(1,674)
Cash and cash equivalents as stated in the consolidated statements of financial position and cash flows		**760,857**	676,794

Notes to Financial Statements

1. Corporate and group information

Xikang Cloud Hospital Holdings Inc. (the "**Company**") was incorporated in the Cayman Islands on 12 May 2011 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. In May 2024, the name of the Company was changed from "NEUSOFT XIKANG HOLDINGS INC." to "Xikang Cloud Hospital Holdings Inc.".

The Company, an investment holding company, and its subsidiaries (together, the "**Group**") are principally engaged in provision of the following services: (i) medical services; (ii) nursing services; and (iii) health management services in the People's Republic of China (the "**PRC**").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Xikang Cloud Hospital International Limited (formerly known as "Neusoft Xikang International Co., Ltd.")	Hong Kong	Limited liability company	HKD2,187,794,622	100%	–	Investment holding
Xikang Healthcare Technology Co., Ltd. (formerly known as "Neusoft Xikang Healthcare Technology Co., Ltd.")	PRC/Mainland China	Limited liability company	USD275,000,000	–	100%	Research and development of computer technology
Liaoning Xikang Healthcare Management Co., Ltd. (formerly known as "Liaoning Neusoft Xikang Healthcare Management Co., Ltd.")	PRC/Mainland China	Limited liability company	RMB50,000,000	–	100%	Healthcare
Dandong Xikang Fenghuang Clinic Co., Ltd. (formerly known as "Dandong Jinhai Xikang Clinic Co., Ltd.")	PRC/Mainland China	Limited liability company	RMB20,000,000	–	60%	Healthcare

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shenyang Xikang Medical System Co., Ltd. (formerly known as "Shenyang Neusoft Xikang Medical System Co., Ltd.")	PRC/Mainland China	Limited liability company	RMB200,000,000	–	100%	Sales of medical devices
Shenyang Xikang Medical Enterprise Management Co., Ltd. (formerly known as "Shenyang Neusoft Xikang Medical Enterprise Management Co., Ltd.")	PRC/Mainland China	Limited liability company	RMB30,000,000	–	100%	Technology service
Ningbo Xikang Smart Healthcare Management Co., Ltd. (formerly known as "Ningbo (Neusoft Xikang) Smart Healthcare Research Institute Co., Ltd.")	PRC/Mainland China	Limited liability company	RMB1,000,000	–	100%	Technology service
Ningbo Cloud Hospital Co., Ltd.	PRC/Mainland China	Limited liability company	RMB50,000,000	–	100%	Healthcare
Shanghai Xikang Healthcare Management Co., Ltd.	PRC/Mainland China	Limited liability company	RMB35,000,000	–	100%	Healthcare
Shanghai Xikang Clinic Co., Ltd.	PRC/Mainland China	Limited liability company	RMB10,000,000	–	100%	Healthcare
Shanxi Xikang Healthcare Management Co., Ltd.	PRC/Mainland China	Limited liability company	RMB5,000,000	–	100%	Healthcare
Chengdu Xikang Health Management Service Co., Ltd. (formerly known as "Chengdu Neusoft Xikang Health Management Service Co., Ltd.")	PRC/Mainland China	Limited liability company	RMB5,000,000	–	100%	Healthcare
Shenyang Xikang Cloud Hospital Co., Ltd.	PRC/Mainland China	Limited liability company	RMB5,000,000	–	100%	Healthcare
Xikang (Ningbo) Smart Wearable Equipment Co., Ltd. (formerly known as "Neusoft Xikang (Ningbo) Smart Wearable Equipment Co., Ltd.")	PRC/Mainland China	Limited liability company	RMB60,000,000	–	100%	Sales of medical devices

1. Corporate and group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Type of legal entity	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hunan Xikang Health Management Co., Ltd.	PRC/Mainland China	Limited liability company	RMB10,100,000	–	100%	Healthcare
Anhui Xikang Health Management Co., Ltd.	PRC/Mainland China	Limited liability company	RMB31,000,000	–	100%	Healthcare
Hefei Shushan Xikang Health Examination Outpatient Department Co., Ltd.*	PRC/Mainland China	Limited liability company	RMB30,000,000	–	100%	Healthcare
Fujian Xikang Health Management Service Co., Ltd.	PRC/Mainland China	Limited liability company	RMB5,000,000	–	100%	Healthcare
Fuzhou Cangshan Xikang Comprehensive Clinic Co., Ltd.	PRC/Mainland China	Limited liability company	RMB35,000,000	–	100%	Healthcare
Xikang (Hangzhou) Nursing Station Co., Ltd.	PRC/Mainland China	Limited liability company	RMB1,000,000	–	100%	Healthcare
Ningbo Haishu Xikang Comprehensive Clinic Co., Ltd.	PRC/Mainland China	Limited liability company	RMB3,000,000	–	100%	Healthcare
Dalian Lixin Cloud Health Management Consulting Co., Ltd. ("**Dalian Lixin**")**	PRC/Mainland China	Limited liability company	RMB50,000,000	–	100%	Healthcare
Dalian Neusoft Xikang Comprehensive Clinic Co., Ltd. ("**Dalian Clinic**")**	PRC/Mainland China	Limited liability company	RMB10,000,000	–	100%	Healthcare
Beijing Neusoft Xikang Information Technology Co., Ltd. ("**Xikang Information**")***	PRC/Mainland China	Limited liability company	RMB10,000,000	–	100%	Technology service
Beijing Neusoft Xikang Medical Technology Co., Ltd. ("**Xikang Medical**")***	PRC/Mainland China	Limited liability company	RMB100,000	–	100%	Investment holding

* Hefei Shushan Xikang Health Examination Outpatient Department Co., Ltd. has been deregistered on 27 February 2025.

** During the year, the Group acquired Dalian Lixin and Dalian Clinic from Jiangsu Lixin Technology Development Co., Ltd. ("Jiangsu Lixin"). Further details of this acquisition are included in note 34 to the financial statements.

*** The Company does not have legal ownership in the equity of Xikang Information and Xikang Medical. However, under certain contractual agreements (including a power of attorney agreement, loan agreement, equity option agreement, equity interest pledge agreement and an exclusive technical consulting and service agreement) entered into with the registered owners of the entities, the Company, through its indirectly wholly-owned subsidiary, controls the entities by way of controlling the voting rights, governing the financial and operating policies, appointing or removing the majority of the members of those controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of the entities to the Group's indirect wholly-owned subsidiary. As a result, the entities are treated as subsidiaries of the Company and their financial statements have been consolidated by the Company.

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. Accounting policies (continued)

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. Accounting policies (continued)

2.3 Issued but not yet effective hong kong financial reporting standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts referencing Nature-dependent electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

2. Accounting policies (continued)

2.3 Issued but not yet effective hong kong financial reporting standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

2. Accounting policies (continued)

2.3 Issued but not yet effective hong kong financial reporting standards (continued)

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. Accounting policies (continued)

2.3 Issued but not yet effective hong kong financial reporting standards (continued)

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments*: *Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2. Accounting policies (continued)

2.4 Material accounting policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, assets recognised from costs to fulfil contracts, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 employees of either 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 the key management personnel of the entity (or of a parent of the entity); and

(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 parent of the Group.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic equipment	19% to 33%
Office furniture and others	19% to 33%
Leasehold improvement	Over the shorter of the lease terms and 20% to 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years, which is determined by considering estimated period in which the intangible asset's future economic benefits are expected to be consumed.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 10 years, which is determined by considering estimated period that the Group expects these assets will generate economic benefits to medical services and health management services.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease 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 termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense 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 lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of electronic equipment and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes wealth management products. Return on the wealth management products are recognised as other income in profit or loss when the right of payment has been established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For comprehensive health management services (included in health management services), the Group considers a financial asset in default when unsettled contractual payments are aged more than two years. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group

For medical services, nursing services and health management services (excluding comprehensive health management services), the Group considers a financial asset in default when unsettled contractual payments are aged more than four years. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and accruals, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain smart healthcare products and the provision of certain cloud hospital platform services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised 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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with 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 amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer 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.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Medical services

Medical services consist primarily of internet medical services and cloud hospital platform services.

(i) Internet medical services

The Group provides internet medical services mainly consisting of online hospital services and remote medical services through the Group's cloud-based information infrastructure to the customers including medical institutions, individual customers and enterprises. Revenue from internet medical services is recognised at the point in time when the services have been fulfilled.

(ii) Cloud hospital platform services

Cloud hospital platform services consist primarily of project-based platform services (including platform construction services and platform connection services) for the customers including local governments, medical institutions, insurers and enterprises.

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

- the customer does not simultaneously receive and consume benefits because another entity would need to substantially re-perform the Group's performance completed to date;
- the Group's performance does not under the customer's control as it is created; and
- although the Group's performance creates an asset without alternative use, the Group does not have an enforceable right to payment for performance completed to date in accordance with the contracts signed.

For certain platform connection services that provide the customers with the platform operation services over a specific period, the revenue is recognised over time on straight line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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

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

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

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Nursing services

The Group provides professional nursing care services at the patient's premises. Revenue from nursing services is recognised at the point in time when the services have been fulfilled.

In addition, the Group provides nursing platform services including nursing platform construction services and nursing platform connection services. Revenue from nursing platform construction services and nursing platform connection services is recognised at the point in time when the services have been fulfilled.

(c) Health management services

(i) Comprehensive health management services

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

(ii) Sale of smart healthcare products

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

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Investment return on wealth management products recognised in profit or loss is the difference between the proceeds from disposal and the carrying amount of the relevant wealth management product upon derecognition.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(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.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged 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 asset relates. Other contract costs are expensed as incurred.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Share-based payments

The Company operates certain share option schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

2. Accounting policies (continued)

2.4 Material accounting policies (continued)

Foreign currencies

The functional currency of the Company is the United States dollar ("**USD**") while the presentation currency of the Company for these financial statements is RMB as the Group mainly operates in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the Company and a subsidiary operating in Hong Kong is currency other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rate prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas entities which arise throughout the year are translated into RMB at the weighted average exchange rates of the year.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses of RMB681,890,000 (2023: RMB745,291,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB238,515,000. Further details on deferred taxes are disclosed in note 18 to the financial statements.

Contractual arrangements

The Group exercises control over certain of its subsidiaries and enjoys substantially all economic benefits of those subsidiaries through the contractual arrangements.

The Group considers that it controls those subsidiaries notwithstanding the fact that it does not hold direct equity interests in those subsidiaries, as it has power over the financial and operating policies of those subsidiaries and receives substantially all of the economic benefits from the business activities of those subsidiaries through the contractual arrangements. Accordingly, those subsidiaries have been accounted for as subsidiaries during the year.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' needs or competitors' actions in response to the product industry cycle. Management reassesses these estimates at the end of the reporting period. Further details on carrying amount of inventories are disclosed in note 19 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use 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 available data from 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 or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of non-financial assets as at 31 December 2024 in aggregate amounted to RMB264,464,000 (2023: RMB301,018,000).

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the medical, nursing and health management businesses, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 21 and note 22 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

Fair value of financial assets at fair value through profit or loss

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are included in note 24 to the financial statements.

Recognition of share-based compensation expenses

As mentioned in note 33 to the financial statements, share options were granted to the employees during the year. The directors have used the binomial model to determine the total fair value of the share options, which are to be expensed over the vesting period. Significant estimate on assumptions, such as the risk-free interest rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the directors in applying the methods.

4. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) medical services;

(b) nursing services; and

(c) health management services.

The directors of the Company, who are the chief operating decision makers ("**CODM**"), have changed the structure of internal organisation in a manner that causes the composition of the Group's segments to change. During the reporting period, on the basis of understanding the strategic positioning and advantages of the Group, the fast-developing nursing services were upgraded into an independent segment. At the same time, the cloud hospital platform services and internet medical services (excluding nursing services) were integrated into medical services segment, and the smart healthcare products were merged into the health management services segment to further increase the capability of resource integration and the synergistic effect of the business. The corresponding items of segment information for previous period have been restated.

CODM monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment revenue and gross profit of each operating segment. The selling and distribution expenses, administrative expenses, research and development expenses, other income, other gains/(losses), net, finance income, finance costs, share of losses of associates and income tax credit/(expense) are not allocated to individual operating segments.

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

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

4. Operating segment information (continued)

Year ended 31 December 2024	Medical services RMB'000	Nursing services RMB'000	Health management services RMB'000	Total RMB'000
Segment information				
Sales to external customers	**216,670**	**56,151**	**228,675**	**501,496**
Cost of sales	**(166,060)**	**(41,936)**	**(146,002)**	**(353,998)**
Segment gross profit	**50,610**	**14,215**	**82,673**	**147,498**
Reconciliation:				
Selling and distribution expenses				**(66,209)**
Research and development expenses				**(42,010)**
Administrative expenses				**(83,233)**
Impairment losses on financial and contract assets, net				**(37,170)**
Other income				**16,100**
Other gains, net				**4,652**
Finance income				**20,897**
Finance costs				**(27,018)**
Share of losses of associates				**(17,434)**
Loss before tax				**(83,927)**

4. Operating segment information (continued)

Year ended 31 December 2023 (Restated)	Medical services RMB'000	Nursing services RMB'000	Health management services RMB'000	Total RMB'000
Segment information				
Sales to external customers	223,703	31,606	282,406	537,715
Cost of sales	(173,534)	(18,686)	(180,886)	(373,106)
Segment gross profit	50,169	12,920	101,520	164,609
Reconciliation:				
Selling and distribution expenses				(96,251)
Research and development expenses				(55,580)
Administrative expenses				(118,404)
Impairment losses on financial and contract assets, net				(6,538)
Other income				4,156
Other losses, net				(1,640)
Finance income				5,220
Finance costs				(38,283)
Share of losses of associates				(4,925)
Loss before tax				(147,636)

4. Operating segment information (continued)

Geographical information

(a) Revenue from external customers

	2024 RMB'000	2023 RMB'000
Mainland China	**501,088**	537,401
Other regions	**408**	314
Total revenue	**501,496**	537,715

The revenue information above is based on the locations of the customers.

(b) Non-current assets

As at 31 December 2024 and 2023, all of the non-current assets of the Group were located in Mainland China.

Information about a major customer

No revenue from the Group's sales to a single customer accounted for 10% or more of the Group's revenue during the years ended 31 December 2024 and 2023.

5. Revenue and other income

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**501,496**	537,715

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2024

Segments	Medical services RMB'000	Nursing services RMB'000	Health management services RMB'000	Total RMB'000
Geographical markets				
Mainland China	216,262	56,151	228,675	501,088
Other regions	408	–	–	408
Total	216,670	56,151	228,675	501,496
Timing of revenue recognition				
Recognised at a point in time	201,503	55,096	228,371	484,970
Recognised over time	15,167	1,055	304	16,526
Total	216,670	56,151	228,675	501,496

5. Revenue and other income (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2023

Segments (Restated)	Medical services RMB'000	Nursing services RMB'000	Health management services RMB'000	Total RMB'000
Geographical markets				
Mainland China	223,389	31,606	282,406	537,401
Other regions	314	–	–	314
Total	223,703	31,606	282,406	537,715
Timing of revenue recognition				
Recognised at a point in time	202,305	30,740	281,938	514,983
Recognised over time	21,398	866	468	22,732
Total	223,703	31,606	282,406	537,715

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 RMB'000	2023 RMB'000 (Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Medical services	**5,214**	5,541
Nursing services	**442**	500
Health management services	**20,082**	31,655
Total	**25,738**	37,696

5. Revenue and other income (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Medical services

The performance obligation is satisfied over time or at the point in time as services are rendered and payment in advance is normally required, except for customers of cloud hospital platform services, where a certain percentage of payment in advance is typically required and the remaining payment is generally due within one year from the date of billing.

Nursing services

The performance obligation is satisfied over time or at the point in time as services are rendered and payment in advance is normally required.

Health management services

The performance obligation is satisfied over time or at the point in time as services are rendered. For individual customers of comprehensive health management services, payment in advance is normally required and for enterprises customers of comprehensive health management services, payment is generally due within 90 days from the date of billing. For customers of smart healthcare products, a certain percentage of payment in advance is typically required and the remaining payment is generally due within one year from the date of billing, except for some selected customers where payments are due in one to ten years.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024 **RMB'000**	2023 RMB'000 (Restated)
Amounts expected to be recognised as revenue:		
Medical services	**63,357**	108,631
Nursing services	**1,222**	2,291
Health management services	**80,239**	82,723
Total	**144,818**	193,645

Management expects that RMB44,245,000 (2023: RMB58,094,000) of the transaction price allocated to the unsatisfied contracts as at 31 December 2024 will be recognised as revenue within one year. The remaining RMB100,573,000 (2023: RMB135,551,000) will be recognised over one year.

5. Revenue and other income (continued)

An analysis of other income is as follows:

	2024	2023
	RMB'000	RMB'000
Government grants*	**8,872**	3,572
Investment return on wealth management products	**7,000**	–
Value added tax ("**VAT**") refund and VAT reduction	**126**	150
Refund of service fee for withholding individual income tax	**102**	150
Additional deduction of input VAT	**–**	84
Other items	**–**	200
Total	**16,100**	4,156

* Government grants mainly include one-time incentives for listed companies and project-based subsidies to support regional development, encourage innovation, and promote digital transformation.

6. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2024**	2023
		RMB'000	RMB'000
Cost of sales of hardware, software, raw materials and others		**272,330**	306,261
Depreciation of property, plant and equipment	12	**8,313**	10,002
Depreciation of right-of-use assets	13(a)	**19,460**	22,965
Amortisation of software		**522**	618
Amortisation of patents		**118**	118
Lease payments not included in the measurement of lease liabilities	13(c)	**751**	6,792
Listing expenses**		**–**	21,270
Auditor's remuneration		**1,784**	2,780
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries and bonuses		**128,825**	146,771
Share-based compensation expenses (note 33)		**8,579**	29,822
Social security costs and housing benefits***		**29,521**	38,245
Other employee benefits****		**7,715**	8,476
Total		**174,640**	223,314

6. Loss before tax (continued)

	Notes	2024 RMB'000	2023 RMB'000
Foreign exchange differences, net*		**(42)**	2,647
Impairment of/(reversal of impairment of) financial and contract assets, net:			
Impairment of long-term trade receivables, net	15	**769**	1,029
Impairment of trade receivables, net	21	**35,819**	200
Impairment of other receivables, net	17	**312**	5,931
Impairment of/(reversal of impairment of) contract assets, net	22	**270**	(622)
Total		**37,170**	6,538
(Reversal of impairment loss)/impairment loss on inventories**		**(370)**	204
Gain on bargain purchase*	34	**(1,202)**	–
Fair value gains on financial assets at fair value through profit or loss, net*		**(3,604)**	(1,977)
Loss on disposal of property, plant and equipment, net*		**934**	1,435
Gain on partial or full termination of the lease, net*	13(c)	**(376)**	(1,027)
Loss on disposal of other intangible assets, net*		**–**	20

* These items are included in "Other gains/(losses), net" in the consolidated statement of profit or loss and other comprehensive income.

** These items are included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

*** The social security costs and housing benefits include RMB15,419,000 (2023: RMB17,312,000) relating to pension scheme contributions. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

**** The other employee benefits include RMB6,098,000 (2023: RMB5,974,000) relating to termination benefits.

7. Finance income and costs

An analysis of finance income and costs is as follows:

	2024 RMB'000	2023 RMB'000
Finance income		
Interest income	**20,897**	5,220
Finance costs		
Interest on bank borrowings	**(23,362)**	(25,159)
Interest on lease liabilities (note 13(c))	**(3,656)**	(3,447)
Interest expenses for financial liability with redeemable rights	**–**	(9,677)
	(27,018)	(38,283)

8. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2024 RMB'000	2023 RMB'000
Fees	**411**	126
Other emoluments:		
Salaries, allowances and benefits in kind	**3,080**	2,480
Pension scheme contributions	**13**	34
Social security costs	**–**	13
Housing benefits	**–**	10
Share-based compensation expenses	**5,178**	8,472
Subtotal	**8,271**	11,009
Total	**8,682**	11,135

During the year, a director was granted share options, in respect of her services to the Group, under the share option scheme of the Company, further details of which are set out in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and chief executive's remuneration (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024	2023
	RMB'000	RMB'000
Dr. Chen Yan	**137**	42
Dr. Yin Guisheng	**137**	42
Dr. Qi Guoxian	**137**	5
Dr. Fang Weiyi	**–**	37
Total	**411**	126

There were no other emoluments payable to the independent non-executive directors during the year (2023: nil).

(b) An executive director and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Social security costs	Housing benefits	Share-based compensation expenses	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2024							
Executive director							
Ms. ZONG Wenhong(i)	–	3,080	13	–	–	5,178	8,271
Non-executive directors							
Dr. Liu Jiren(ii)	–	–	–	–	–	–	–
Ms. Lu Zhaoxia(iii)	–	–	–	–	–	–	–
Dr. Wang Nan	–	–	–	–	–	–	–
Mr. Pu Chengchuan	–	–	–	–	–	–	–
Dr. Chen Lianyong	–	–	–	–	–	–	–
Mr. XU Hongli(iv)	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
Total	–	3,080	13	–	–	5,178	8,271

8. Directors' and chief executive's remuneration (continued)

(b) An executive director and non-executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Social security costs	Housing benefits	Share-based compensation expenses	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2023							
Executive director							
Ms. ZONG Wenhong(i)	–	2,480	34	13	10	8,472	11,009
Non-executive directors							
Dr. Liu Jiren(ii)	–	–	–	–	–	–	–
Ms. Lu Zhaoxia	–	–	–	–	–	–	–
Dr. Wang Nan	–	–	–	–	–	–	–
Mr. Pu Chengchuan	–	–	–	–	–	–	–
Dr. Chen Lianyong	–	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–	–
Total	–	2,480	34	13	10	8,472	11,009

(i) Ms. ZONG Wenhong is also the chief executive of the Group.

(ii) Dr. Liu Jiren is also the chairman of the Group.

(iii) Ms. Lu Zhaoxia resigned on 20 March 2024.

(iv) Mr. XU Hongli was appointed as a non-executive director with effect from 20 March 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. Five highest paid employees

The five highest paid employees during the year included one director (2023: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2023: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind	**5,749**	5,156
Share-based compensation expenses	**1,019**	12,547
Social security costs, housing benefits and other employee benefits	**412**	342
Total	**7,180**	18,045

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
Nil to HKD1,000,000	**–**	–
HKD1,000,001 to HKD1,500,000	**–**	–
HKD1,500,001 to HKD2,000,000	**3**	–
HKD2,000,001 to HKD2,500,000	**1**	–
HKD2,500,001 to HKD3,000,000	**–**	2
HKD3,500,001 to HKD4,000,000	**–**	1
HKD11,000,001 to HKD11,500,000	**–**	1
Total	**4**	4

During the years ended 31 December 2024 and 2023, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

The Group has not paid any remuneration to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. Income tax

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

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

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax. The first HKD2,000,000 (2023: HKD2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2024 and 2023.

Mainland China

The income tax provision of the Group in respect of its operations in the Mainland China was subject to statutory tax rate of 25% on the assessable profits during the years ended 31 December 2024 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

On 15 November 2022, Xikang Healthcare Technology Co., Ltd. was qualified as a "High and New Technology Enterprise" ("**HNTE**") under the relevant PRC laws and regulations. Accordingly, the entity was entitled to a preferential income tax rate of 15% during the years ended 31 December 2024 and 2023. This status is subject to a reapplication of HNTE status of Xikang Healthcare Technology Co., Ltd every three years.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2023 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for that year.

10. Income tax (continued)

Mainland China (continued)

The income tax (credit)/expense of the Group is analysed as follows:

	2024 RMB'000	2023 RMB'000
Current – Mainland China		
Charge for the year	**4,380**	6,328
Underprovision in prior years	**16**	–
Deferred (note 18)	**(4,478)**	928
Total tax (credit)/charge	**(82)**	7,256

A reconciliation of the tax (credit)/expense applicable to loss before tax at the statutory tax rate for the jurisdiction in which the operations of the Group are substantially based to the tax (credit)/expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	**(83,927)**	(147,636)
Tax at the statutory tax rate	**(25,378)**	(36,909)
Effect of different tax rates	**–**	6
Lower tax rate for specific provinces or enacted by local authority	**–**	(502)
Expenses not deductible for tax	**4,408**	21,597
Super deduction of research and development expenses	**(3,568)**	(7,690)
Income not subject to tax	**–**	(1,601)
Tax losses and temporary differences recognised from previous periods	**(4,846)**	–
Tax losses and temporary differences not recognised	**34,460**	39,302
Tax losses utilised from previous periods	**(5,174)**	(6,947)
Adjustments in respect of current tax of previous periods	**16**	–
Tax (credit)/charge at the Group's effective rate	**(82)**	7,256

11. Loss per share attributable to ordinary equity holders of the parent

The calculation of the loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 841,876,805 (2023: 678,635,000) outstanding during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 2023 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of loss per share is based on:

	2024	2023
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the loss per share calculation	**(83,053)**	(154,652)

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the loss per share calculation	**841,876,805**	678,635,000

12. Property, plant and equipment

	Electronic equipment RMB'000	Office furniture and others RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2024					
At 1 January 2024:					
Cost	**125,459**	**1,125**	**749**	**128,733**	**256,066**
Accumulated depreciation	**(98,564)**	**(1,051)**	**–**	**(127,549)**	**(227,164)**
Net carrying amount	**26,895**	**74**	**749**	**1,184**	**28,902**
At 1 January 2024, net of accumulated depreciation	**26,895**	**74**	**749**	**1,184**	**28,902**
Additions	**4,956**	**1,592**	**5,302**	**–**	**11,850**
Acquisition of subsidiaries (note 34)	**469**	**6**	**–**	**–**	**475**
Disposals	**(1,214)**	**(16)**	**–**	**–**	**(1,230)**
Depreciation provided during the year	**(6,584)**	**(192)**	**–**	**(1,537)**	**(8,313)**
Transfers	**–**	**–**	**(5,987)**	**5,987**	**–**
At 31 December 2024, net of accumulated depreciation	**24,522**	**1,464**	**64**	**5,634**	**31,684**
At 31 December 2024:					
Cost	**114,824**	**2,662**	**64**	**44,802**	**162,352**
Accumulated depreciation	**(90,302)**	**(1,198)**	**–**	**(39,168)**	**(130,668)**
Net carrying amount	**24,522**	**1,464**	**64**	**5,634**	**31,684**

12. Property, plant and equipment (continued)

	Electronic equipment RMB'000	Office furniture and others RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2023					
At 1 January 2023:					
Cost	143,134	1,395	–	128,505	273,034
Accumulated depreciation	(117,366)	(1,291)	–	(125,588)	(244,245)
Net carrying amount	25,768	104	–	2,917	28,789
At 1 January 2023, net of accumulated depreciation	25,768	104	–	2,917	28,789
Additions	15,282	–	824	173	16,279
Disposals	(6,130)	(18)	–	(16)	(6,164)
Depreciation provided during the year	(8,025)	(12)	–	(1,965)	(10,002)
Transfers	–	–	(75)	75	–
At 31 December 2023, net of accumulated depreciation	26,895	74	749	1,184	28,902
At 31 December 2023:					
Cost	125,459	1,125	749	128,733	256,066
Accumulated depreciation	(98,564)	(1,051)	–	(127,549)	(227,164)
Net carrying amount	26,895	74	749	1,184	28,902

13. Leases

The Group as a lessee

The Group has lease contracts for various items of buildings and electronic equipment used in its operations. Leases of buildings generally have lease terms between 1 and 15 years. The electronic equipment generally have lease terms of 12 months or less.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000
As at 1 January 2023	52,271
Additions	59,333
Depreciation charge	(22,965)
Termination of lease contracts	(6,700)
As at 31 December 2023 and 1 January 2024	**81,939**
Additions	**3,241**
Additions as a result of acquisition of subsidiaries (note 34)	**6,534**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(2,577)**
Lease modifications that decrease the scope of the lease	**(634)**
Termination of lease contracts	**(8,354)**
Depreciation charge	**(19,460)**
As at 31 December 2024	**60,689**

13. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**89,780**	61,624
New leases	**2,955**	59,315
Additions as a result of acquisition of subsidiaries (note 34)	**6,317**	–
Accretion of interest recognised during the year	**3,656**	3,447
Payments	**(26,602)**	(26,879)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(2,577)**	–
Lease modifications that decrease the scope of the lease	**(743)**	–
Termination of lease contracts	**(8,621)**	(7,727)
Carrying amount at 31 December	**64,165**	89,780

	2024 RMB'000	2023 RMB'000
Analysed into:		
Current portion		
Within one year	**24,326**	27,708
Non-current portion		
In the second year	**18,670**	21,027
In the third to fifth years, inclusive	**21,169**	41,045
	39,839	62,072
	64,165	89,780

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

13. Leases (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**3,656**	3,447
Depreciation charge of right-of-use assets	**19,460**	22,965
Lease payments not included in the measurement of lease liabilities	**751**	6,792
Gain on partial or full termination of the lease, net	**(376)**	(1,027)
Total amount recognised in profit or loss	**23,491**	32,177

(d) The total cash outflow for leases is disclosed in note 35(d) to the financial statements.

14. Investments in associates

	2024	2023
	RMB'000	RMB'000
Share of net assets	**169,559**	186,993

Particulars of the Group's associates are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activity**
Shanghai Lanxi Health Service Co., ltd. ("**Shanghai Lanxi**")[(i)]	Ordinary shares	PRC/ Mainland China	16.92	Health consulting service
Dalian Xikang Yunshe Kang Travel Investment Management Co., Ltd. ("**Dalian Yunshe**")[(ii)]	Ordinary shares	PRC/ Mainland China	11.83	Operation and management of health preserving hotels
Neusoft Management Consulting (Shanghai) Co., Ltd. ("**Neusoft Consulting**")	Ordinary shares	PRC/ Mainland China	49.00	Business consulting service

(i) In accordance with the shareholders agreement of Shanghai Lanxi, the Group is entitled to nominate one director to the board of directors of Shanghai Lanxi which consisted of a total of five directors. The other four directors are the representatives as nominated by the other investors of Shanghai Lanxi. Shanghai Lanxi is not considered a material associate.

(ii) In accordance with the shareholders agreement of Dalian Yunshe, the Group is entitled to nominate one director to the board of directors of Dalian Yunshe which consisted of a total of seven directors. The other six directors are the representatives as nominated by the other investors of Dalian Yunshe.

The Group's shareholdings in the associates all comprise equity shares held through a wholly-owned subsidiary of the Company.

The Group has discontinued the recognition of its share of losses of Shanghai Lanxi because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses after the Group recognised partial share of the associate's losses for the year ended 31 December 2023 amounted to RMB599,000. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were RMB226,000 (2023: RMB650,000) and RMB876,000 (2023: RMB650,000), respectively.

14. Investments in associates (continued)

Dalian Yunshe, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the operation and management of health preserving hotels and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Dalian Yunshe adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2024	2023
	RMB'000	RMB'000
Current assets	**63,778**	44,243
Non-current assets	**829,534**	856,866
Current liabilities	**(167,685)**	(125,120)
Non-current liabilities	**(30,128)**	(31,116)
Net assets		
Equity attributable to owners of the parent	**701,936**	748,335
Non-controlling interests	**(6,437)**	(3,462)
Reconciliation to the Group's interest in the associate		
Proportion of the Group's ownership	**11.83%**	11.83%
Group's share of net assets of the associate	**83,039**	88,528
Carrying amount of the investment	**83,039**	88,528
Revenue	**47,523**	31,498
Loss attributable to owners of the parent	**(46,399)**	(34,087)
Other comprehensive loss attributable to the parent	**(46,399)**	(34,087)
Total comprehensive loss attributable to the parent	**(46,399)**	(34,087)

Neusoft Consulting, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the business consulting service and is accounted for using the equity method.

14. Investments in associates (continued)

The following table illustrates the summarised financial information in respect of Neusoft Consulting adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2024	2023
	RMB'000	RMB'000
Current assets	**119,766**	129,441
Non-current assets	**57,030**	71,577
Current liabilities	**(225)**	(69)
Net assets	**176,571**	200,949
Reconciliation to the Group's interest in the associate		
Proportion of the Group's ownership	**49.00%**	49.00%
Group's share of net assets of the associate	**86,520**	98,465
Carrying amount of the investment	**86,520**	98,465
Revenue	**1,773**	1,777
Loss for the year	**(24,378)**	(600)
Other comprehensive loss	**(24,378)**	(600)
Total comprehensive loss for the year	**(24,378)**	(600)

15. Long-term trade receivables

	2024 RMB'000	2023 RMB'000
Long-term trade receivables	**18,169**	20,228
Less: Impairment	**(4,655)**	(3,886)
	13,514	16,342
Less: long-term trade receivables due within one year (note 23)	**(7,654)**	(6,269)
Net carrying amount	**5,860**	10,073

The Group signed contracts with medical institutions, governments and enterprises in relation to the sales of smart healthcare products. According to the payment terms in the contracts, the total consideration of the sales of smart healthcare products will be collected within 13 months to 10 years.

An ageing analysis of the long-term trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Within 3 months	**6,202**	–
4 months to 1 year	**–**	663
1 to 2 years (excluding 1 year)	**370**	9,315
2 to 3 years (excluding 2 years)	**5,082**	10,250
3 to 4 years (excluding 3 years)	**6,515**	–
	18,169	20,228
Less: Impairment	**(4,655)**	(3,886)
	13,514	16,342
Less: long-term trade receivables due within one year	**(7,654)**	(6,269)
Net carrying amount	**5,860**	10,073

15. Long-term trade receivables (continued)

The movements in the loss allowance for impairment of long-term trade receivables are as follows:

	2024	2023
	RMB'000	RMB'000
At beginning of year	**3,886**	2,328
Impairment losses (note 6)	**769**	1,029
Other changes	**–**	529
At end of year	**4,655**	3,886

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

Set out below is the information about the credit risk exposure on the Group's long-term trade receivables:

	2024	2023
	RMB'000	RMB'000
Customers without overdue payment		
Expected credit loss rate	**3.8%**	2.1%
Gross carrying amount (RMB'000)	**6,202**	10,250
Expected credit losses (RMB'000)	**(234)**	(212)
Customers with overdue payment		
Expected credit loss rate	**36.9%**	36.8%
Gross carrying amount (RMB'000)	**11,967**	9,978
Expected credit losses (RMB'000)	**(4,421)**	(3,674)

16. Prepayments

	2024 RMB'000	2023 RMB'000
Non-current		
Prepayments for long-term assets	–	14
Current		
Advance payment to suppliers for inventories and services	**6,902**	4,906
Prepayments for short-term leases, heating and property services	**349**	377
Others	**306**	806
Total	**7,557**	6,089

17. Other receivables

	2024 RMB'000	2023 RMB'000
Non-current		
Deposits*	**3,277**	–
Impairment allowance	**(26)**	–
Total	**3,251**	–
Current		
Deposits*	**31,133**	35,130
Equity transfer receivables	**15,310**	30,130
Advance to staff	**758**	943
Others	**5,595**	6,295
	52,796	72,498
Impairment allowance	**(17,487)**	(24,761)
Total	**35,309**	47,737

* Deposits primarily consist of deposits for business development projects and deposits for rental.

17. Other receivables (continued)

The movements in the loss allowance for impairment of other receivables are as follows:

As at 31 December 2024

	12-month ECLs	**Lifetime ECLs**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At beginning of year	**8,469**	**11,892**	**4,400**	**24,761**
Reclassify from stage 2 to stage 3	**–**	**(11,892)**	**11,892**	**–**
Impairment loss (reversed)/recognised	**(7,986)**	**–**	**8,298**	**312**
Amount written off as uncollectible	**(180)**	**–**	**(7,380)**	**(7,560)**
At end of year	**303**	**–**	**17,210**	**17,513**

As at 31 December 2023

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year	4,887	9,598	4,400	18,885
Impairment loss recognised	3,637	2,294	–	5,931
Amount written off as uncollectible	(55)	–	–	(55)
At end of year	8,469	11,892	4,400	24,761

18. Deferred tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2024		
	Accelerated depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2023	**869**	**20,485**	**21,354**
Deferred tax charged/(credited) to profit or loss during the year (note 10)	**1,980**	**(5,634)**	**(3,654)**
Gross deferred tax liabilities at 31 December 2024	**2,849**	**14,851**	**17,700**

Deferred tax assets

	2024			
	Provision for impairment loss RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Total RMB'000
At 31 December 2023	**868**	**20,480**	**–**	**21,348**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**1,890**	**(4,627)**	**3,561**	**824**
Gross deferred tax assets at 31 December 2024	**2,758**	**15,853**	**3,561**	**22,172**

18. Deferred tax (continued)

Deferred tax liabilities

	2023		
	Accelerated depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 31 December 2022	13	13,068	13,081
Deferred tax charged to profit or loss during the year (note 10)	856	7,417	8,273
Gross deferred tax liabilities at 31 December 2023	869	20,485	21,354

Deferred tax assets

	2023			
	Provision for impairment loss RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Total RMB'000
At 31 December 2022	120	12,930	953	14,003
Deferred tax credited/(charged) to profit or loss during the year (note 10)	748	7,550	(953)	7,345
Gross deferred tax assets at 31 December 2023	868	20,480	–	21,348

18. Deferred tax (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024	2023
	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**6,950**	596
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,478)**	(602)
	4,472	(6)

The Group has tax losses arising in Hong Kong of RMB60,504,000 (2023: RMB60,536,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB621,386,000 (2023: RMB684,755,000) that will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2024	2023
	RMB'000	RMB'000
Tax losses – Hong Kong	**60,504**	60,536
Tax losses – Mainland China	**621,386**	684,755
Deductible temporary differences	**292,740**	311,843
	974,630	1,057,134

19. Inventories

	2024 RMB'000	2023 RMB'000
Raw materials	**13,043**	11,670
Finished goods	**5,531**	30,360
	18,574	42,030
Less: Provision for impairment of inventories	**(1,306)**	(3,934)
Total	**17,268**	38,096

20. Assets recognised from costs to fulfil contracts

	2024 RMB'000	2023 RMB'000
Assets recognised from costs to fulfil contracts:		
Medical services	**6,000**	7,321

The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. They were therefore recognised as assets from costs to fulfil contracts. For the years ended 31 December 2024 and 2023, assets recognised from costs to fulfil contracts recognised as costs amounted to RMB34.9 million and RMB33.7 million, respectively.

21. Trade receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	**230,982**	246,238
Less: Impairment	**(129,008)**	(94,429)
Net carrying amount	**101,974**	151,809

21. Trade receivables (continued)

The credit terms given to trade customers are determined on an individual basis. The normal credit period of trade receivables related to comprehensive health management services (included in health management services) is mainly within 90 days, while the normal credit period of trade receivables related to medical services, nursing services and health management services (excluding comprehensive health management services) are mainly within one year. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB6,004,000 (2023: RMB9,369,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**58,592**	58,027
4 months to 1 year	**29,035**	58,040
1 to 2 years (excluding 1 year)	**40,945**	60,084
2 to 3 years (excluding 2 years)	**45,768**	25,599
3 to 4 years (excluding 3 years)	**15,666**	5,272
4 to 5 years (excluding 4 years)	**5,162**	15,237
Over 5 years	**35,814**	23,979
	230,982	246,238
Less: Impairment	**(129,008)**	(94,429)
Total	**101,974**	151,809

21. Trade receivables (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024	2023
	RMB'000	RMB'000
At beginning of year	**94,429**	96,639
Impairment losses (note 6)	**35,819**	200
Amount written off as uncollectible	**(1,240)**	(2,410)
At end of year	**129,008**	94,429

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). 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 one year 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:

(i) The loss allowance of individually impaired trade receivables is determined as follows:

As at 31 December 2024

	Trade receivables	**Expected credit loss rate**	**Loss allowance**	**Reason**
Trade receivables	**35,201**	**100%**	**(35,201)**	**The likelihood of recovery**

As at 31 December 2023

	Trade receivables	Expected credit loss rate	Loss allowance	Reason
Trade receivables	39,941	59%	(23,559)	The likelihood of recovery

21. Trade receivables (continued)

(ii) The loss allowance of trade receivables related to comprehensive health management services (included in health management services) is determined as follows:

As at 31 December 2024

	Current	Past due Less than 9 months	Past due 10 to 21 months	Past due Over 22 months	Total
Expected credit loss rate	**2.2%**	**2.9%**	**32.0%**	**100.0%**	**6.4%**
Gross carrying amount (RMB'000)	**18,042**	**12,820**	**2,055**	**736**	**33,653**
Expected credit losses (RMB'000)	**(398)**	**(370)**	**(657)**	**(736)**	**(2,161)**

As at 31 December 2023

	Current	Past due Less than 9 months	Past due 10 to 21 months	Past due Over 22 months	Total
Expected credit loss rate	2.2%	3.4%	27.6%	100.0%	5.2%
Gross carrying amount (RMB'000)	25,788	13,931	892	881	41,492
Expected credit losses (RMB'000)	(580)	(467)	(246)	(881)	(2,174)

(iii) The loss allowance of trade receivables related to medical services, nursing services and health management services (excluding comprehensive health management services) is determined as follows:

As at 31 December 2024

	Current	Past due Less than 1 year	Past due 1 to 2 years	Past due 2 to 3 years	Past due Over 3 years	Total
Expected credit loss rate	**19.0%**	**53.2%**	**67.9%**	**97.1%**	**100.0%**	**56.5%**
Gross carrying amount (RMB'000)	**53,227**	**33,036**	**35,872**	**13,954**	**26,039**	**162,128**
Expected credit losses (RMB'000)	**(10,124)**	**(17,559)**	**(24,369)**	**(13,555)**	**(26,039)**	**(91,646)**

21. Trade receivables (continued)

(iii) The loss allowance of trade receivables related to medical services, nursing services and health management services (excluding comprehensive health management services) is determined as follows: (continued)

		Past due				
	Current	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	13.7%	36.5%	67.7%	96.1%	100.0%	41.7%
Gross carrying amount (RMB'000)	68,653	48,460	18,328	4,659	24,705	164,805
Expected credit losses (RMB'000)	(9,387)	(17,708)	(12,417)	(4,479)	(24,705)	(68,696)

22. Contract assets

	31 December 2024 RMB'000	31 December 2023 RMB'000	1 January 2023 RMB'000
Contract assets arising from:			
Medical services	**6,709**	6,261	4,694
Health management services	**1,540**	1,581	4,311
Total	**8,249**	7,842	9,005
Less: Impairment	**(2,032)**	(1,762)	(2,384)
Net carrying amount	**6,217**	6,080	6,621

Contract assets are initially recognised for revenue earned from the provision of medical services and health management services as the receipt of consideration is conditional on the assurance that the good or service complies with agreed-upon specifications until the end of the warranty. Included in the contract assets are retention receivables related to quality assurance. Upon completion of the assurance-type warranty services, the amounts recognised as contract assets are reclassified to trade receivables. The increase and decrease in contract assets in 2024 and 2023 was the result of the increase and decrease in ongoing provision of services at the end of the reporting period.

The Group's trading terms and credit policy with customers are disclosed in note 21 to the financial statements.

22. Contract assets (continued)

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2024	2023
	RMB'000	RMB'000
Within one year	**5,030**	4,921
After one year	**3,219**	2,921
Total contract assets	**8,249**	7,842

The movements in the loss allowance for impairment of contract assets are as follows:

	2024	2023
	RMB'000	RMB'000
At beginning of year	**1,762**	2,384
Impairment loss recognised/(reversed) (note 6)	**270**	(622)
At end of year	**2,032**	1,762

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type). 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.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2024	2023
Expected credit loss rate	**25.0%**	22.0%
Gross carrying amount (RMB'000)	**8,249**	7,842
Expected credit losses (RMB'000)	**(2,032)**	(1,762)

23. Other current assets

	2024 RMB'000	2023 RMB'000
Deductible input VAT	**219**	236
Long-term trade receivables within one year (note15)	**7,654**	6,269
At end of year	**7,873**	6,505

24. Financial assets at fair value through profit or loss

	2024 RMB'000	2023 RMB'000
Investment in wealth management products	**36,842**	144,205

The wealth management products were mandatorily classified as financial assets at FVPL as their contractual cash flows are not solely payments of principal and interest. During the year, the investment return and the net fair value gain arising from wealth management products recognised in profit or loss amounted to RMB7,000,000 (2023: nil) and RMB3,604,000 (2023: RMB1,977,000), respectively.

25. Cash and cash equivalents and restricted deposits

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**760,869**	678,468
Less: Restricted deposits*	**(12)**	(1,674)
Cash and cash equivalents	**760,857**	676,794
Cash and cash equivalents and restricted deposits denominated in:		
– USD	**546,528**	468,287
– HKD	**118**	117
– RMB	**214,223**	210,064
Total	**760,869**	678,468

* The restricted deposits disclosed above are mainly held for bidding, and are subject to regulatory restrictions. Therefore those deposits are not available for general use by the Group.

25. Cash and cash equivalents and restricted deposits (continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. Trade payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**99,535**	91,783
4 to 6 months	**11,185**	40,006
7 months to 1 year	**16,987**	44,136
1 to 2 years (excluding 1 year)	**34,656**	45,896
2 to 3 years (excluding 2 years)	**26,528**	15,408
3 to 4 years (excluding 3 years)	**10,823**	916
4 to 5 years (excluding 4 years)	**916**	97
over 5 years	**507**	410
Total	**201,137**	238,652

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

27. Contract liabilities

	31 December 2024 RMB'000	31 December 2023 RMB'000 (Restated)	1 January 2023 RMB'000 (Restated)
Advances received from customers			
Health management services	**35,421**	38,391	44,167
Medical services	**7,404**	7,367	7,132
Nursing services	**333**	530	509
Total	**43,158**	46,288	51,808
Analysed into:			
Current portion	**29,013**	31,802	40,857
Non-current portion	**14,145**	14,486	10,951

Contract liabilities mainly arise from the advanced payments from customers of the medical services, nursing services and health management services upon which the performance obligations have been established while the underlying services are yet to be provided. The decrease in contract liabilities in 2024 and 2023 was mainly due to the decrease in advances received from customers in relation to the provision of services at the end of the reporting period.

28. Other payables and accruals

	2024	2023
	RMB'000	RMB'000
Payroll and welfare payables	**34,404**	33,045
Payables for purchase of property, plant, and equipment	**6,742**	7,238
Tax payables	**911**	869
Short-term leases and property management service fee payables	**778**	3,672
Accrual expenses	**11,368**	12,519
Listing expenses	**37**	6,592
Others	**9,683**	4,881
Total	**63,923**	68,816

Other payables are non-interest-bearing and have an average term of one year.

29. Interest-bearing bank borrowings

	2024			2023		
	Effective Interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	**3.80-4.20**	**2025**	**180,187**	–	–	–
Bank loans – secured	**Loan Prime Rate ("LPR") +0.75&0.85**	**2025**	**60,070**	–	–	–
Current portion of long term bank loans – secured	**LPR+0.78&0.93**	**2025**	**150,108**	–	–	–
Current portion of long term bank loans – unsecured	**LPR+0.3**	**2025**	**119,940**	LPR+0.3 &0.78&0.93	2024	240,135
Total – current			**510,305**			240,135
Non-current						
Bank loans – unsecured			**–**	LPR+0.3 &0.78&0.93	2025	269,850
Total			**510,305**			509,985

29. Interest-bearing bank borrowings (continued)

	2024	2023
	RMB'000	RMB'000
Analysed into:		
Bank loans:		
Within one year	**510,305**	240,135
In the second year	**–**	269,850
Total	**510,305**	509,985

Notes:

(a) All of the Group's borrowings are denominated in RMB.

(b) As at 31 December 2024, the principal portion of the secured bank loans of approximately RMB390,000,000 were guaranteed by the Company's shareholder, Dalian Neusoft Holdings Co., Ltd. ("Neusoft Holdings"). The bank loans of RMB149,910,000 were changed from unsecured bank loans to secured bank loans upon Neusoft Holdings' guarantee.

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	2024	2023
	RMB'000	RMB'000
Fixed interest rate	**180,187**	–
Variable interest rate	**330,118**	509,985
Total	**510,305**	509,985

30. Deferred income

	2024	2023
	RMB'000	RMB'000
Government grants		
Income-related grants*	**4,420**	4,420

* The income-related grants are mainly subsidies received from the government for compensating the Group's research and development activities with regards to certain projects.

31. Share capital and share premium

Shares

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
841,876,805 (2023: 841,876,805) ordinary shares	**1,125**	1,125

Share capital and share premium

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital RMB'000**	**Share premium RMB'000**
At 1 January 2023	142,625,261	940	1,928,654
Share split (note (a))	570,501,044	–	–
Issuance of shares upon IPO (note (b))	133,805,500	193	559,812
Capital reduction from shareholders (note (c))	(5,055,000)	(8)	(16,947)
Termination of liability with redeemable rights (note (d))	–	–	71,912
At 31 December 2023, 1 January 2024 and 31 December 2024	**841,876,805**	**1,125**	**2,543,431**

Notes:

(a) Pursuant to the shareholders' resolution dated 11 September 2023, each of the existing issued and unissued shares of the Company with a par value of USD0.001 was sub-divided into 5 shares of par value of USD0.0002 each.

(b) On 28 September 2023, upon the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("HKSE") (the "Listing"), the Company issued 133,805,500 new ordinary shares at par value of USD0.0002 per share for cash consideration of HKD4.76 each, and raised gross proceeds of approximately HKD636.9 million (equivalents to approximately RMB567.6 million). The nominal value of the share capital was approximately USD27,000 (equivalent to approximately RMB193,000) and the share premium arising from the issuance was approximately RMB559.8 million, after netting off listing expenses.

(c) On 7 September 2023, the Company cancelled 1,011,000 shares of USD0.001 each under the restricted share unit scheme, equivalent to 5,055,000 shares after share split, which were not granted to eligible employees. The share capital of USD1,000 was reversed.

(d) On 13 December 2019, the Company entered into an investment agreement with an investor in round C investments. In the agreement, the Company had an obligation to repurchase the Company's ordinary shares issued to this investor in round C investments upon occurrence of certain future events, such redeemable right will be automatically cancelled upon listing.

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

On 28 September 2023, as a result of the Company's successful listing on the Main Board of the HKSE, the redeemable right was cancelled and the financial liability was reclassified to equity.

32. Reserves

	Exchange fluctuation reserve RMB'000	Share-based compensation reserve RMB'000	Equity transaction with eligible employees reserve RMB'000	Total RMB'000
Balance at 1 January 2023	24,895	260,083	–	284,978
Exchange differences	(13,953)	–	–	(13,953)
Share-based compensation	–	29,801	–	29,801
Equity transaction with eligible employees	–	–	40,039	40,039
At 31 December 2023 and 1 January 2024	**10,942**	**289,884**	**40,039**	**340,865**
Exchange differences	**9,655**	**–**	**–**	**9,655**
Share-based compensation	**–**	**8,563**	**–**	**8,563**
At 31 December 2024	**20,597**	**298,447**	**40,039**	**359,083**

(i) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies whose functional currencies are not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to these financial statements.

(ii) Share-based compensation reserve

The share-based compensation reserve comprises the fair value of share options and restricted share units ("RSUs") granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options and RSUs are exercised or transferred to accumulated losses should the related options and RSUs expire or be forfeited.

(iii) Equity transaction with eligible employees reserve

The Company had a repurchase obligation under 2016 RSUs scheme before initial public offerings. On 28 September 2023, as a result of the Company's successful listing on the Main Board of the HKSE, the interest expenses payables of repurchase obligation to eligible employees were reversed against reserves.

33. Share option scheme

(a) Share options (2020 plan, 2021 plan B and 2021 plan C)

On 1 January 2020, 1 January 2021 and 1 July 2021, 4,841,000, 11,037,200 and 1,384,700 share options were granted to eligible participants of the Group at a consideration of USD2.94 per share (the "2020 plan", the "2021 plan B" and the "2021 plan C"). Under the 2020 plan, 2021 plan B and 2021 plan C, the eligible participants are granted options which only vest if certain service and performance conditions are met. The share options shall be subject to vesting schedule of certain years from the vesting commencement date, subject to eligible participants continuing to be an employee of the Group.

The options granted under the 2020 plan, 2021 plan B and 2021 plan C are valid for 10 years since 1 January 2020 (the "First Grant Date"), and if the eligible participants resign or are dismissed after the listing, the vested and effective part of the unexercised options can be exercised within 12 months after the resignation or dismissal.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the 2020 plan, 2021 plan B and 2021 plan C as equity-settled plans.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2020 plan, 2021 plan B and 2021 plan C during the year:

	2024		2023	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	USD per share		USD per share	
At 1 January	**2.94**	**12,427,300**	2.94	14,017,500
Forfeited during the year	**2.94**	**(365,240)**	2.94	(1,590,200)
At 31 December		**12,062,060**		12,427,300

Under the 2020 plan, 2021 plan B and 2021 plan C, 12,062,060 (2023: nil) share options were exercisable at 31 December 2024.

33. Share option scheme (continued)

(a) Share options (2020 plan, 2021 plan B and 2021 plan C) (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

At 31 December 2024

Number of options	Exercise price* USD per share	Exercise period
2,938,500	**2.94**	**1 January 2020 to 31 December 2029**
8,301,900	**2.94**	**1 January 2021 to 31 December 2029**
821,660	**2.94**	**1 July 2021 to 31 December 2029**
12,062,060		

At 31 December 2023

Number of options	Exercise price* USD per share	Exercise period
3,122,500	2.94	1 January 2020 to 31 December 2029
8,425,200	2.94	1 January 2021 to 31 December 2029
879,600	2.94	1 July 2021 to 31 December 2029
12,427,300		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

33. Share option scheme (continued)

(b) Share options (2023 plan)

On 1 April 2023, 3,442,000 share options were granted to eligible participants of the Group at a consideration of USD2.94 per share (the "2023 plan"). Under the 2023 plan, the eligible participants are granted options which only vest if certain service and performance conditions are met. The 2023 plan shall be subject to vesting schedule of three years from the vesting commencement date, subject to the eligible participants continuing to be an employee of the Group.

The options granted under the 2023 plan are valid for 10 years since the First Grant Date, and if the eligible participants resign or are dismissed after the listing, the vested and effective part of the unexercised options can be exercised within 12 months after the resignation or dismissal.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the 2023 plan as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the 2023 plan during the year:

	2024		2023	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	USD per share		USD per share	
At 1 January	**2.94**	**3,241,000**	–	–
Granted during the year	**–**	**–**	2.94	3,442,000
Forfeited during the year	**2.94**	**(1,016,000)**	2.94	(201,000)
At 31 December		**2,225,000**		3,241,000

Under the 2023 plan, 915,300 (2023: nil) share options were exercisable at 31 December 2024.

33. Share option scheme (continued)

(b) Share options (2023 plan) (continued)

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

At 31 December 2024

Number of options	Exercise price* USD per share	Exercise period
2,225,000	**2.94**	**1 April 2023 to 31 December 2029**

At 31 December 2023

Number of options	Exercise price* USD per share	Exercise period
3,241,000	2.94	1 April 2023 to 31 December 2029

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(c) Share options (2024 plan)

On 15 July 2024, 29,465,000 share options were granted to eligible participants of the Group at a consideration of HKD1.14 per share (the "2024 plan"). Under the 2024 plan, the eligible participants are granted options which only vest if certain service and performance conditions are met. The 2024 plan shall be subject to vesting schedule of three years from the vesting commencement date, subject to the eligible participants continuing to be an employee of the Group.

The options granted under the 2024 plan are valid for 10 years since the first grant date, and if the eligible participants resign or are dismissed, the vested and effective part of the unexercised options can be exercised within 12 months after the resignation or dismissal.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the 2024 plan as an equity-settled plan.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

33. Share option scheme (continued)

(c) Share options (2024 plan) (continued)

The following share options were outstanding under the 2024 plan during the year:

	2024	
	Weighted average exercise price HKD per share	Number of options
At 1 January	**–**	–
Granted during the year	**1.14**	29,465,000
Forfeited during the year	**1.14**	(3,500,000)
At 31 December		25,965,000

Under the 2024 plan, no share option was exercisable at 31 December 2024.

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

At 31 December 2024

Number of options	Exercise price* HKD per share	Exercise period
25,965,000	**1.14**	**15 July 2024 to 15 July 2034**

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

33. Share option scheme (continued)

(c) Share options (2024 plan) (continued)

The fair value of equity-settled share options granted during the year was RMB14,442,000 which was estimated as at the date of grant using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2024
Dividend yield (%)	–
Expected volatility (%)	46.9
Historical volatility (%)	46.9
Risk-free interest rate (%)	3.3
Expected life of options (year)	10
Weighted average share price (HKD per share)	1.14

During the year, the Group recognised a share option expense related to the share option schemes of RMB8,579,000 (2023: RMB29,822,000) in total.

At the date of approval of these financial statements, the Company had 40,252,060 share options outstanding under the 2020 plan, 2021 plan B, 2021 plan C, 2023 plan and 2024 plan, which represented approximately 4.8% of the Company's shares in issue as at that date.

34. Business combination

On 20 October 2024, the Group acquired a 100% interest in Dalian Lixin and its subsidiary (together, the "Dalian Lixin Group") from an independent third party. Dalian Lixin Group is engaged in the provision of healthcare services. The acquisition was made as part of the Group's strategy to expand its market share of health management services in Mainland China. The purchase consideration for the acquisition was RMB11,000,000 in the form of cash, with RMB3,300,000, RMB3,300,000 and RMB4,400,000 paid on 30 October 2024, 1 November 2024 and 4 November 2024, respectively.

The fair values of the identifiable assets and liabilities of Dalian Lixin Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition RMB'000**
Property, plant and equipment	12	475
Right-of-use assets	13(a)	6,534
Cash and bank balances		8,159
Inventories		134
Trade receivables		6,929
Prepayments		509
Other receivables		821
Trade payables		(1,001)
Contract liabilities		(1,366)
Other payables and accruals		(2,675)
Lease liabilities	13(b)	(6,317)
Total identifiable net assets at fair value		12,202
Gain on bargain purchase recognised in other gains/(losses), net in the consolidated statement of profit or loss and other comprehensive income	6	1,202
Satisfied by cash		11,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB6,929,000 and RMB821,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB7,980,000 and RMB836,000, respectively, of which trade receivables of RMB1,051,000 and other receivables of RMB15,000 are expected to be uncollectible.

34. Business combination (continued)

An analysis of the cash flows in respect of the acquisition of Dalian Lixin Group is as follows:

	RMB'000
Cash consideration	(11,000)
Cash and bank balances acquired	8,159
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,841)
Total net cash outflow	(2,841)

Since the acquisition, Dalian Lixin Group contributed RMB3,107,000 to the Group's revenue and profit of RMB1,605,000 to the consolidated loss for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB514,318,000 and RMB83,977,000, respectively.

35. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,955,000 (2023: RMB59,315,000) and RMB2,955,000 (2023: RMB59,315,000), respectively, in respect of lease arrangements for buildings.

35. Notes to the consolidated statement of cash flows (continued)

(b) Cash flows from operating activities

	Notes	**2024**	2023
		RMB'000	RMB'000
Loss before tax:		**(83,927)**	(147,636)
Adjustments for:			
Depreciation and amortisation		**28,413**	33,703
Share-based compensation	33	**8,579**	29,822
Fair value gains on financial assets at fair value through profit or loss, net	6	**(3,604)**	(1,977)
Investment income on wealth management products	5	**(7,000)**	–
Loss on disposal of property, plant and equipment, net	6	**934**	1,435
Gain on partial or full termination of the lease, net	6	**(376)**	(1,027)
Loss on disposal of other intangible assets, net	6	**–**	20
Gain on bargain purchase	34	**(1,202)**	–
Share of losses of associates		**17,434**	4,925
Finance income	7	**(20,897)**	(5,220)
Finance costs	7	**27,018**	38,283
Foreign exchange (gain)/loss	6	**(42)**	2,647
Provisions of financial and contract assets	6	**37,170**	6,538
		2,500	(38,487)
Decrease/(increase) in inventories		**20,962**	(18,624)
Decrease in other operating assets		**28,425**	46,671
Decrease in other operating liabilities		**(42,829)**	(9,630)
Cash generated from/(used in) operations		**9,058**	(20,070)

35. Notes to the consolidated statement of cash flows (continued)

(c) Changes in liabilities arising from financing activities

2024

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2024	509,985	89,780
Repayments of bank borrowings	(239,570)	–
Interest paid	(23,472)	–
Payments of lease liabilities	–	(26,602)
New bank borrowings	240,000	–
New leases	–	2,955
Interest expense	23,362	3,656
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(2,577)
Lease modifications that decrease the scope of the lease	–	(743)
Termination of lease contracts	–	(8,621)
Increase arising from acquisition of subsidiaries	–	6,317
At 31 December 2024	510,305	64,165

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Changes in liabilities arising from financing activities (continued)

2023

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	Financial instruments with redeemable rights RMB'000
At 1 January 2023	509,700	61,624	356,228
Repayments of bank borrowings	(280)	–	–
Interest paid	(25,159)	–	–
Payments of lease liabilities	–	(26,879)	–
New leases	–	59,315	–
Interest expense	25,724	3,447	9,677
Exchange realignment	–	–	11,177
Termination of lease contracts	–	(7,727)	–
Termination of liability with redeemable rights	–	–	(377,082)
At 31 December 2023	509,985	89,780	–

(d) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**751**	6,792
Within financing activities	**26,887**	27,025
Total	**27,638**	33,817

36. Contingent liabilities

At the end of the reporting period, the Group did not have any significant contingent liabilities.

37. Commitments

The Group has various short-term lease contracts at 31 December 2024. The future lease payments for these non-cancellable lease contracts are RMB70,000 (2023: RMB15,000) due within one year.

38. Related party transactions

Details of the Group's principal related parties are as follows:

Name	Relationship with the Company
Neusoft Group Co., Ltd. ("Neusoft Corporation")	The largest shareholder
Neusoft Holdings	Shareholder
PICC Property and Casualty Company Limited ("PICC P&C")	Shareholder
Neusoft Medical Systems Co., Ltd. ("Neusoft Medical")*	A company significantly influenced by Neusoft Corporation
Neusoft Group (Dalian) Co., Ltd.	Subsidiary of Neusoft Corporation
Shenyang Neusoft System Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Xian Neusoft System Integration Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Shanghai) Co., Ltd.	Subsidiary of Neusoft Corporation
Dandong Smart City Operation Co., Ltd.	Subsidiary of Neusoft Corporation
Shenzhen Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Beijing) Co., Ltd.	Subsidiary of Neusoft Corporation
Shandong Neusoft System Integration Co., Ltd.	Subsidiary of Neusoft Corporation
Hunan Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Chengdu Neusoft System Integration Co., Ltd.	Subsidiary of Neusoft Corporation
Wuhan Neusoft Information Technology Co., Ltd	Subsidiary of Neusoft Corporation
Shenyang Daily Digital Advertising Communication Co., Ltd.	Subsidiary of Neusoft Corporation
Hebei Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Guangzhou) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Shenyang Neusoft Property Management Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group Nanjing Co., Ltd.	Subsidiary of Neusoft Corporation
Shenyang Neusoft Traffic Information Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Changchun) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Yichang) Co., Ltd.	Subsidiary of Neusoft Corporation

38. Related party transactions (continued)

Name	Relationship with the Company
Neusoft Group (Nanning) Co., Ltd.	Subsidiary of Neusoft Corporation
Shenyang Neusoft Intelligent Medical Technology Research Institute Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology (Shenyang) Co., Ltd.	Subsidiary of Neusoft Corporation
Living Space (Shenyang) Data Technology Service Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Medical Industrial Park Development Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Shandong) Information Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Guangzhou Neusoft Technology Business Incubator Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Hohhot) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Lanzhou) Co., Ltd.	Subsidiary of Neusoft Corporation
Yichang Neusoft Ruiyun Education Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Ltd Living Space (Shanghai) Data Technology Service Co., Ltd.	Subsidiary of Neusoft Corporation
Liaoning Boying Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Tianjin Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Wuhan) Co., Ltd.	Subsidiary of Neusoft Corporation
Dalian Neusoft Zhixing Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Hangzhou Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Nanchang) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Yantai) Co., Ltd.	Subsidiary of Neusoft Corporation
Dalian Qixian Zhiyuan Technology Research Institute Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group Chongqing Co., Ltd.	Subsidiary of Neusoft Corporation
Hubei Neusoft Ruiyun Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Ningbo) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Digital Intelligence Health Information Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Heilongjiang) Co., Ltd.	Subsidiary of Neusoft Corporation
Hanfeng Health Medical Big Data Research Institute (Liaoning) Co., Ltd.	Associate of Neusoft Corporation
Hanfeng Chaosheng Medical Technology (Liaoning) Co., Ltd.	Associate of Neusoft Corporation
Rongsheng Property & Casualty Insurance Co., Ltd.	Associate of Neusoft Corporation
Guangdong Neusoft University	Subsidiary of Neusoft Holdings
Dalian Neusoft Holding Ruikang Medical Management Co., Ltd.	Subsidiary of Neusoft Holdings
Chengdu Neusoft University	Subsidiary of Neusoft Holdings

38. Related party transactions (continued)

Name	Relationship with the Company
Chengdu Neusoft Information Technology Development Co., Ltd.	Subsidiary of Neusoft Holdings
Hainan Yunshe Hotel Management Co., Ltd.	Subsidiary of Neusoft Holdings
Dalian Neusoft University of Information	Subsidiary of Neusoft Holdings
Tianjin Neusoft Ruidao Educational Information Technologies Co., Ltd.	Subsidiary of Neusoft Holdings
Neusoft Education Technology Group Co., Ltd.	Subsidiary of Neusoft Holdings
Shanghai Yixun Dechi Education Technology Co., Ltd.	Subsidiary of Neusoft Holdings
PICC Life Insurance Co., Ltd.	Subsidiary of PICC P&C
Hua Xia Bank Co., Limited	Subsidiary of PICC P&C
PICC Health Insurance Co., Ltd.	Subsidiary of PICC P&C
PICC Asset Management Co., Ltd.	Subsidiary of PICC P&C
Neusoft Wittmann Biological Technology (Nanjing) Co., Ltd.*	Subsidiary of Neusoft Medical
Neusoft Wittmann Biological Technology (Shenyang) Co., Ltd.*	Subsidiary of Neusoft Medical
Shenyang Neusoft Medical Imaging Diagnosis Center Co., Ltd.*	Subsidiary of Neusoft Medical
Neusoft Medical Technology Co., Ltd.*	Subsidiary of Neusoft Medical
Beijing Neusoft Medical Equipment Co., Ltd.*	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Technology Co., Ltd.*	Subsidiary of Neusoft Medical
Shenyang Neusoft Medical System Import & Export Co., Ltd.*	Subsidiary of Neusoft Medical
Dalian Cangsu Intelligent Medical Technology Co., Ltd.*	Subsidiary of Neusoft Medical
Shenyang Intelligent Nuclear Medical Technology Co., Ltd.*	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Equipment Co., Ltd.*	Subsidiary of Neusoft Medical
Shenyang Advanced Medical Equipment Technology Incubation Center Co., Ltd.*	Subsidiary of Neusoft Medical
Shenyang Neusoft Zhirui Radiotherapy Technology Co., Ltd.*	Associate of Neusoft Medical
Chongqing Jinke Kejian Real Estate Co., Ltd.	Subsidiary of an associate
Hangzhou Lanxi Health Management Co., Ltd.	Subsidiary of an associate
Hangzhou Lanxi Chengyuan Medical Outpatient Department Co., Ltd.	Subsidiary of an associate
Hangzhou Lanxi Meiling Medical Outpatient Department Co., Ltd.	Subsidiary of an associate
Jinke Property Group Co., Ltd.	Parent of an associate
Neusoft Management Consulting (Shanghai) Co., Ltd.	Associate
Shenyang Neusoft System Integration Engineering Co., Ltd.	A company controlled by the Company's director
Shenyang Ruiqian Business Consulting Co., Ltd.	A company controlled by the Company's directors

* In September 2024, a third-party injected capital to Neusoft Medical and became the largest shareholder of Neusoft Medical. Neusoft Medical and its subsidiaries and associates are no longer the Group's related parties since then.

38. Related party transactions (continued)

(a) The Group had the following transactions with related parties during the year:

	Notes	2024 RMB'000	2023 RMB'000
Purchases of medical consumable and smart healthcare products			
Neusoft Corporation and its subsidiaries	(i)	–	2,118
Neusoft Medical and its subsidiaries	(i)	**1,125**	2,263
		1,125	4,381
Purchases of technical services, maintenance services and other services			
Neusoft Corporation, its subsidiaries and associates	(i)	**3,962**	5,690
Neusoft Medical and its subsidiaries	(i)	**1,111**	3,096
		5,073	8,786
Purchases of property, plant and equipment			
Neusoft Medical and its subsidiaries	(i)	**440**	9,096
Provision of technical services, maintenance services and other services			
Neusoft Medical and its subsidiaries	(i)	**5,365**	9,061
Neusoft Corporation, its subsidiaries and associates	(i)	**223**	4,001
Neusoft Holdings	(i)	–	14
		5,588	13,076
Provision of health management services			
Neusoft Corporation, its subsidiaries and associates	(i)	**5,088**	4,352
Neusoft Holdings and its subsidiaries	(i)	**994**	1,162
Neusoft Medical, its subsidiaries and an associate	(i)	**372**	706
PICC P&C and its subsidiaries	(i)	**205**	215
Associates, its parent and its subsidiaries	(i)	**25**	77
A company controlled by the Company's directors	(i)	**3**	25
		6,687	6,537

38. Related party transactions (continued)

(a) The Group had the following transactions with related parties during the year: (continued)

	Notes	**2024**	2023
		RMB'000	RMB'000
Sales of property, plant and equipment			
Neusoft Medical and its subsidiaries	(i)	**–**	218
Right-of-use assets relating to the rental contracts with related parties			
Neusoft Corporation and its subsidiaries	(ii)	**3,241**	7,608
Associates, its parent and its subsidiaries		**–**	16,718
		3,241	24,326
Lease expenses and property services			
Neusoft Corporation and its subsidiaries	(ii)	**891**	1,082
Associates, its parent and its subsidiaries	(ii)	**–**	607
		891	1,689

Notes:

(i) The purchases from the related parties and the sales and provision of services to the related parties were determined based on mutual negotiations between the relevant parties.

(ii) The transactions with related parties for leases were determined on the basis of negotiations between the parties.

(b) Other transactions with related parties:

The Group's shareholder has guaranteed for the principal of certain bank loans made to the Group of up to RMB390,000,000 (2023: nil) as at the end of the reporting period, as disclosed in note 29(b) to the financial statements.

38. Related party transactions (continued)

(c) Outstanding balances with related parties:

	2024 RMB'000	2023 RMB'000
Trade receivables		
Neusoft Corporation, its subsidiaries and associates	**5,113**	8,518
Neusoft Holdings and its subsidiaries	**743**	551
Neusoft Medical, its subsidiaries and an associate	**–**	240
PICC P&C and its subsidiaries	**108**	–
A company controlled by the Company's director	**6**	–
Associates, its parent and its subsidiaries	**–**	60
	5,970	9,369
Contract assets		
Neusoft Corporation and its subsidiaries	**892**	909
Other receivables		
Neusoft Corporation and its subsidiaries	**836**	806
PICC P&C and its subsidiaries	**188**	–
Neusoft Medical and its subsidiaries	**–**	75
Associates, its parent and its subsidiaries	**–**	10
	1,024	891
Prepayments		
Neusoft Medical and its subsidiaries	**–**	19
Neusoft Corporation and its subsidiaries	**89**	84
	89	103
Trade payables		
Neusoft Corporation and its subsidiaries	**19,647**	18,306
Neusoft Medical and its subsidiaries	**–**	960
Neusoft Holdings	**3**	–
	19,650	19,266

38. Related party transactions (continued)

(c) Outstanding balances with related parties: (continued)

	2024 RMB'000	2023 RMB'000
Other payables		
Neusoft Medical and its subsidiaries	–	6,894
Neusoft Corporation and its subsidiaries	144	111
Associates, its parent and its subsidiaries	–	565
	144	7,570
Contract liabilities		
Neusoft Holdings and its subsidiaries	232	2
PICC P&C and its subsidiaries	144	78
Neusoft Corporation, its subsidiaries and associates	131	105
Neusoft Medical and its subsidiaries	–	68
Associates, its parent and its subsidiaries	25	–
	532	253
Right-of-use assets		
Associates, its parent and its subsidiaries	6,687	15,046
Neusoft Corporation and its subsidiaries	7,987	8,476
Neusoft Medical and its subsidiaries	–	182
	14,674	23,704
Lease liabilities		
Associates, its parent and its subsidiaries	6,695	18,009
Neusoft Corporation and its subsidiaries	8,025	8,871
Neusoft Medical and its subsidiaries	–	270
	14,720	27,150

These balances are unsecured and interest-free.

38. Related party transactions (continued)

(d) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Wages, salaries and bonuses	**5,753**	4,541
Pension costs – defined contribution plans	**210**	186
Other social security costs	**116**	105
Housing benefits	**124**	95
Share-based compensation	**4,861**	18,890
Total compensation paid to key management personnel	**11,064**	23,817

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i) and (a)(ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

39. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	101,974	101,974
Long-term trade receivables (included current portion)	–	13,514	13,514
Other receivables	–	38,560	38,560
Financial assets at fair value through profit or loss	36,842	–	36,842
Cash and cash equivalents and restricted deposits	–	760,869	760,869
Total	36,842	914,917	951,759

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	201,137
Financial liabilities included in other payables and accruals	28,608
Interest-bearing bank borrowings	510,305
Lease liabilities	64,165
Total	804,215

39. Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2023

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	–	151,809	151,809
Long-term trade receivables (included current portion)	–	16,342	16,342
Other receivables	–	47,737	47,737
Financial assets at fair value through profit or loss	144,205	–	144,205
Cash and cash equivalents and restricted deposits	–	678,468	678,468
Total	144,205	894,356	1,038,561

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	238,652
Financial liabilities included in other payables and accruals	34,902
Interest-bearing bank borrowings	509,985
Lease liabilities	89,780
Total	873,319

40. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Long-term trade receivables	**13,514**	16,342	**14,060**	16,342
Financial assets at fair value through profit or loss	**36,842**	144,205	**36,842**	144,205
Total	**50,356**	160,547	**50,902**	160,547
Financial liabilities				
Interest-bearing bank borrowings	**510,305**	509,985	**510,305**	509,985

Management has assessed that the fair values of cash and cash equivalents, restricted deposits, trade receivables, trade payables, other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the long-term trade receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2024 were assessed to be insignificant.

The fair values of wealth management products in financial assets at fair value through profit or loss have been estimated using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

40. Fair value and fair value hierarchy of financial instruments (continued)

Below is a summary of significant unobservable input to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2024 and 2023:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Wealth management products	Discounted cash flow valuation model	Expected rate of return	12% (2023: 4.10% to 5.10%)	5% (2023: 5%) increase/ decrease in expected rate of return would result in increase/decrease in fair value by RMB6 million (2023: RMB7.21 million)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	–	–	**36,842**	**36,842**

40. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	–	–	144,205	144,205

The movements in fair value measurements within Level 3 during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	**144,205**	–
Purchases	**224,745**	141,680
Disposal	**(343,772)**	–
Fair value changes recognised in profit or loss	**3,604**	1,977
Investment return recognised in profit or loss	**7,000**	–
Exchange realignment	**1,060**	548
At 31 December	**36,842**	144,205

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 2023.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: nil).

40. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Long-term trade receivables	**–**	**14,060**	**–**	**14,060**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term trade receivables	–	16,342	–	16,342

40. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank borrowings	**–**	**510,305**	**–**	**510,305**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	–	509,985	–	509,985

41. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank borrowings, financial assets at fair value through profit or loss and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, long-term trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in loss before tax RMB'000
2024		
RMB	**50**	**1,649**
RMB	**(50)**	**(1,649)**
2023		
RMB	50	2,547
RMB	(50)	(2,547)

41. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group's exposure to foreign exchange risks were primarily related to bank balances mainly denominated in USD deposited in Mainland China and Hong Kong. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and RMB exchange rates, with all other variables held constant, of the Group's loss before tax (arising from USD and RMB denominated financial instruments).

	Increase/(decrease) in USD/RMB rate %	Increase/(decrease) in loss before tax RMB'000
2024		
If the RMB weakens against the USD	**5**	**(4,831)**
If the RMB strengthens against the USD	**(5)**	**4,831**
2023		
If the RMB weakens against the USD	5	(9)
If the RMB strengthens against the USD	(5)	9

41. Financial risk management objectives and policies (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	8,249	8,249
Trade receivables*	–	–	–	230,982	230,982
Long-term trade receivables*	–	–	–	18,169	18,169
Other receivables					
– Normal**	38,863	–	–	–	38,863
– Doubtful**	–	–	17,210	–	17,210
Restricted deposits					
– Not yet past due	12	–	–	–	12
Cash and cash equivalents					
– Not yet past due	760,857	–	–	–	760,857
Total	799,732	–	17,210	257,400	1,074,342

41. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	7,842	7,842
Trade receivables*	–	–	–	246,238	246,238
Long-term trade receivables*	–	–	–	20,228	20,228
Other receivables					
– Normal**	40,468	–	–	–	40,468
– Doubtful**	–	27,630	4,400	–	32,030
Restricted deposits					
– Not yet past due	1,674	–	–	–	1,674
Cash and cash equivalents					
– Not yet past due	676,794	–	–	–	676,794
Total	718,936	27,630	4,400	274,308	1,025,274

* For long-term trade receivables, trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 15, 21 and 22 to the financial statements, respectively.

** The credit quality of the financial assets included in other receivables is considered to be "normal" 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. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from long-term trade receivables and trade receivables are disclosed in notes 15 and 21 to the financial statements, respectively.

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, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

41. Financial risk management objectives and policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2024			
	Less than 1 year RMB'000	**1 to 2 years RMB'000**	**2 to 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank borrowings	**522,551**	**–**	**–**	**522,551**
Trade payables	**201,137**	**–**	**–**	**201,137**
Other payables (excluding tax payables and salary and welfare payables)	**28,608**	**–**	**–**	**28,608**
Lease liabilities	**27,182**	**20,377**	**22,115**	**69,674**
Total	**779,478**	**20,377**	**22,115**	**821,970**

	2023			
	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	261,884	276,150	–	538,034
Trade payables	238,652	–	–	238,652
Other payables (excluding tax payables and salary and welfare payables)	34,902	–	–	34,902
Lease liabilities	31,648	23,961	43,638	99,247
Total	567,086	300,111	43,638	910,835

41. Financial risk management objectives and policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group regards equity attributable to owners of the parent as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents.

The gearing ratios as at the end of the reporting periods were as follows:

	2024	2023
	RMB'000	RMB'000
Interest-bearing bank borrowings (note 29)	**510,305**	509,985
Lease liabilities (note 13(b))	**64,165**	89,780
Less: Cash and cash equivalents (note 25)	**760,857**	676,794
Net cash position	**(186,387)**	(77,029)
Total equity	**368,122**	433,733
Gearing ratio*	**–**	–

* As at 31 December 2024 and 2023, the Group had a net cash position and the gearing ratio is not applicable.

42. Events after the reporting period

On 10 March 2025, the Group had subscribed for certain wealth management products in the aggregate amount of USD15,000,000, equivalent to RMB107,600,000, which were still held by the Group as of the date of approval of these consolidated financial statements. The expected annualised rate of return will be from 3% to 4.5% per annum.

43. Comparative amounts

As further explained in note 4 to the financial statements, due to the change of the structure of the Group's internal organisation that caused the composition of its segments to change, the presentation of the corresponding items of segment information for the comparative period has been restated.

44. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Non-current assets		
Investment in a subsidiary	**1,317,011**	2,172,618
Due from a subsidiary	**159,270**	156,249
Total non-current assets	**1,476,281**	2,328,867
Current assets		
Prepayments	**3,760**	3,952
Other receivables	**12,654**	12,466
Financial assets at fair value through profit or loss	**36,842**	144,205
Cash and cash equivalents	**450,009**	467,115
Total current assets	**503,265**	627,738
Current liabilities		
Other payables and accruals	**2,235**	9,255
Total current liabilities	**2,235**	9,255
Net current assets	**501,030**	618,483
Total assets less current liabilities	**1,977,311**	2,947,350
Net assets	**1,977,311**	2,947,350
Equity		
Share capital	**1,125**	1,125
Share premium	**2,546,847**	2,546,847
Other reserves (note)	**450,946**	403,017
Accumulated losses	**(1,021,607)**	(3,639)
Total equity	**1,977,311**	2,947,350

44. Statement of financial position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserve RMB'000	Share-based compensation reserve RMB'000	Equity transaction with eligible employees reserve RMB'000	Total RMB'000
Balance at 1 January 2023	60,059	260,083	–	320,142
Exchange differences on translation of the Company's financial statements into presentation currency	13,035	–	–	13,035
Share-based compensation	–	29,801	–	29,801
Equity transaction with eligible employees	–	–	40,039	40,039
At 31 December 2023 and 1 January 2024	**73,094**	**289,884**	**40,039**	**403,017**
Exchange differences on translation of the Company's financial statements into presentation currency	**39,366**	**–**	**–**	**39,366**
Share-based compensation	**–**	**8,563**	**–**	**8,563**
At 31 December 2024	**112,460**	**298,447**	**40,039**	**450,946**

The share-based compensation reserve comprises the fair value of share options and RSUs granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options and RSUs are exercised or transferred to accumulated losses should the related options and RSUs expire or be forfeited.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 March 2025.

Five-year Financial Highlights

	2024	2023	2022	2021	2020
			RMB in thousands		
Revenue	**501,496**	537,715	687,415	614,302	503,008
Gross profit	**147,498**	164,609	168,450	170,229	134,108
Loss before income tax	**(83,927)**	(147,636)	(238,308)	(292,847)	(203,021)
Income tax credit/(expense)	**82**	(7,256)	(4,952)	(1,896)	4,252
Loss for the year	**(83,845)**	(154,892)	(243,260)	(294,743)	(198,769)
Attributable to:					
Owners of the parent	**(83,053)**	(154,652)	(241,967)	(296,537)	(196,431)
Non-controlling interests	**(792)**	(240)	(1,293)	1,794	(2,338)

			As of December 31,		
	2024	2023	2022	2021	2020
			RMB in thousands		
Assets					
Non-current assets	**280,525**	**311,701**	298,041	320,509	343,120
Current assets	**979,909**	**1,086,310**	636,404	626,338	611,521
Total assets	**1,260,434**	**1,398,011**	934,445	946,847	954,641
Equity					
Attributable to owner's equity of the parent	**363,309**	**428,144**	(451,976)	(274,545)	(132,991)
Non-controlling interests	**4,813**	**5,589**	5,808	6,909	2,585
Total equity	**368,122**	**433,733**	(446,168)	(267,636)	(130,406)
Liabilities					
Non-current liabilities	**60,882**	**351,430**	920,560	754,602	659,430
Current liabilities	**831,430**	**612,848**	460,053	459,881	425,617
Total liabilities	**892,312**	**964,278**	1,380,613	1,214,483	1,085,047
Total equity and liabilities	**1,260,434**	**1,398,011**	934,445	946,847	954,641

Definitions

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"2016 RSU Scheme"	a restricted share unit scheme of the Company adopted in August 2016 for the benefit of its employees
"Articles of Association"	the Eighth Amended and Restated Memorandum and Articles of Association of our Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open to the public for normal banking business
"BVI"	the British Virgin Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Xikang Cloud Hospital Holdings Inc. (formerly know as NEUSOFT XIKANG HOLDINGS INC. (東軟熙康控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on May 12, 2011
"Director(s)"	director(s) of our Company
"Dongkong International Fifth"	Dongkong International Fifth Investment Inc., a company incorporated under the laws of the BVI on June 23, 2015, and a Shareholder of our Company wholly-owned by Neusoft Holdings
"Dongkong International Seventh"	Dongkong International Seventh Investment Inc., a company incorporated under the laws of the BVI on June 23, 2015, and a Shareholder of our Company wholly-owned by Neusoft Holdings
"Dr. LIU"	Dr. LIU Jiren (劉積仁), the chairperson of the Board and a non-executive Director of our Company

"Global Offering"	the Hong Kong public offering and the international offering as described in the Prospectus
"Group", "our Group" or "the Group"	our Company, its subsidiaries and the consolidated affiliated entities controlled through contractual arrangements (or our Company and any one or more of its subsidiaries, as the context may require)
"HK$"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Financial Reporting Standards", "HKFRSs"	all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"KangRich"	KangRich Investments Limited, a company incorporated under the laws of the BVI on July 8, 2015, and an employee shareholding platform and a Shareholder of our Company
"Kingset Ventures"	Kingset Ventures Limited, one of the Pre-IPO Investors of our Company, a company incorporated in the BVI
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	September 28, 2023, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"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 market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

"Neusoft (HK)"	Neusoft (HK) Limited, a company incorporated under the laws of Hong Kong on August 25, 2000 and a Shareholder of our Company wholly-owned by Neusoft Corporation
"Neusoft Corporation"	Neusoft Corporation (東軟集團股份有限公司), a company incorporated under the laws of the PRC on June 17, 1991, which is listed on the Shanghai Stock Exchange (stock code: 600718) on June 18, 1996
"Neusoft Holdings"	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under the laws of the PRC on November 15, 2011
"Ningbo Xikang"	Ningbo (Xikang) Smart Healthcare Management Co., Ltd.*
"PICC P&C"	PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司), established in the PRC in July 2003, was listed on the Main Board of the Stock Exchange on November 6, 2003 (stock code: 02328), one of the Pre-IPO Investors and a connected person of our Company
"Post-IPO SOS"	the share option scheme adopted by our Company on May 28, 2021, as amended or otherwise modified from time to time, and detailed in "DIRECTORS' REPORT – SHARE OPTION SCHEMES – 2. Post-IPO SOS" in this annual report
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"PRC" or "China"	the People's Republic of China, which for the purposes of this document only and unless the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"Pre-IPO SOS"	the share option scheme adopted by our Company on March 29, 2019, as amended or otherwise modified from time to time, and detailed in "DIRECTORS' REPORT – SHARE OPTION SCHEMES – 1. Pre-IPO SOS" in this annual report
"Prospectus"	the prospectus of the Company dated September 18, 2023
"Province"	a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
"Reporting Period"	the year ended December 31, 2024
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

Definitions

"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 Xikang"	Shanghai Xikang Healthcare Management Co., Ltd.
"Shanxi Xikang"	Shanxi Xikang Healthcare Management Co., Ltd.
"Share(s)"	ordinary shares in the share capital of our Company with a par value of US$0.0002 each
"Share Option Scheme(s)"	Pre-IPO SOS and/or Post-IPO SOS
"Shareholder(s)"	holder(s) of our Shares
"Shenyang Cloud Hospital"	Shenyang Xikang Cloud Hospital Co., Ltd.
"Smartwave"	Smartwave Holdings Inc. (斯邁威控股有限公司), a company incorporated under the laws of BVI on March 15, 2011, and a Shareholder of our Company wholly-owned by Neusoft Holdings
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Syn Invest"	Syn Invest Co. Ltd, one of the Pre-IPO Investors of our Company, a company established in the BVI
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD" or "US$"	United States dollars, the lawful currency of the United States