Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

December 18, 2024

The Board of Directors
Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司) (the "Company")
No. 167 Guang'anmennei Street
Xicheng District, Beijing
PRC

Dear Sirs/Madams,

We, Huatai Financial Holdings (Hong Kong) Limited, being one of the joint sponsors in respect of the Company's global offering and listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), refer to the prospectus of the Company dated December 18, 2024 (the "**Prospectus**").

We hereby give, and confirm that we have not withdrawn, our consent to the issue of the Prospectus by the Company, with the inclusion therein of all references to our name, qualifications, confirmations and opinions in the form and context in which they respectively appear in the Prospectus.

We hereby consent to you releasing this letter to the Registrar of Companies in Hong Kong and the Stock Exchange and referring to it in the Prospectus. We hereby also consent to a copy of this letter being made available on display as described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the Prospectus.

-signature page to follow-

For and on behalf of

Huatai Financial Holdings (Hong Kong) Limited

Name: Wylie Cheung

Title: Managing Director

GF Capital (Hong Kong) Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

December 18, 2024

The Board of Directors
Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司) (the "Company")
No. 167 Guang'anmennei Street
Xicheng District, Beijing
PRC

Dear Sirs/Madams,

We, GF Capital (Hong Kong) Limited, being one of the joint sponsors in respect of the Company's global offering and listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), refer to the prospectus of the Company dated December 18, 2024 (the "**Prospectus**").

We hereby give, and confirm that we have not withdrawn, our consent to the issue of the Prospectus by the Company, with the inclusion therein of all references to our name, qualifications, confirmations and opinions in the form and context in which they respectively appear in the Prospectus.

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-signature page to follow-

For and on behalf of

GF Capital (Hong Kong) Limited

Name: Patricio Lau

Title: Director

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

December 18, 2024

The Board of Directors
Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司) (the "Company")
No. 167 Guang'anmennei Street
Xicheng District, Beijing
PRC

Dear Sirs/Madams,

We, CCB International Capital Limited, being one of the joint sponsors in respect of the Company's global offering and listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), refer to the prospectus of the Company dated December 18, 2024 (the "**Prospectus**").

We hereby give, and confirm that we have not withdrawn, our consent to the issue of the Prospectus by the Company, with the inclusion therein of all references to our name, qualifications, confirmations and opinions in the form and context in which they respectively appear in the Prospectus.

We hereby consent to you releasing this letter to the Registrar of Companies in Hong Kong and the Stock Exchange and referring to it in the Prospectus. We hereby also consent to a copy of this letter being made available on display as described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the Prospectus.

-signature page to follow-

For and on behalf of

CCB International Capital Limited

____

Name: Nancy Wang

Title: Executive Director

For and on behalf of

CCB International Capital Limited

____

Name: Claire Cao

Title: Vice President

Deloitte.

德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

December 18, 2024

The Directors
Xunfei Healthcare Technology Co., Ltd.
(訊飛醫療科技股份有限公司)
No. 167 Guang'anmennei Street,
Xicheng District, Beijing,
PRC

Dear Sirs,

We refer to the prospectus dated December 18, 2024 (the "Prospectus") issued in connection with the proposed initial listing of the H shares of Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司) (the "Company") on the Main Board of The Stock Exchange of Hong Kong Limited, a final proof of which is attached and initialled by us on its front cover for the purpose of identification.

We hereby consent to the inclusion of our accountants' report on historical financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 and our independent reporting accountants' assurance report on the compilation of unaudited pro forma financial information of the Group , both dated December 18, 2024 in the Prospectus, and the references to our name in the form and context in which they are included.

Yours faithfully,

Deloitte Touche Tohmatsu

訊飛醫療科技股份有限公司

Xunfei Healthcare Technology Co., Ltd.

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

Stock Code : 2506

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL

廣發証券(香港) GF SECURITIES (HONG KONG)

建银国际 CCB International

Joint Bookrunners and Joint Lead Managers

ICBC 工银国际

浦銀國際 SPDB INTERNATIONAL

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

農銀國際 ABC INTERNATIONAL

中國銀河國際 CHINA GALAXY INTERNATIONAL

TradeGo Markets

Joint Lead Manager

ADVENT 宏智證券(香港)

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

Xunfei Healthcare Technology Co., Ltd.
訊飛醫療科技股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**7,035,550 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**703,600 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**6,331,950 H Shares (subject to the Over-allotment Option and reallocation)**
Offer Price	**:**	**HK$82.8 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2506**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL

廣發証券(香港) GF SECURITIES (HONG KONG)

建银国际 CCB International

Joint Bookrunners and Joint Lead Managers

ICBC 工银国际

浦銀國際 SPDB INTERNATIONAL

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

農銀國際 ABC INTERNATIONAL

中國銀河國際 CHINA GALAXY INTERNATIONAL

TradeGo Markets

Joint Lead Manager

ADVENT 宏智證券(香港)

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price will be HK$82.8 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares are required to pay, on application (subject to application channels), the Offer Price of HK$82.8 for each Offer Share together with a brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, and Hong Kong Stock Exchange trading fee of 0.00565%.

The Overall Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction in the number of Offer Shares and/or the Offer Price will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.iflyhealth.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors." Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Overall Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds For Termination."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.iflyhealth.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 18, 2024

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "**HKEXnews > New Listings > New Listing Information**" section, and our website at **www.iflyhealth.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, December 18, 2024 to 11:30 a.m. on Monday, December 23, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Monday, December 23, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to apply for Hong Kong Offer Shares" for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the HKSCC EIPO channel must be for a minimum of 50 Hong Kong Offer Shares and in one of the numbers set out in the table. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
50	4,181.75	800	66,908.03	7,000	585,445.27	100,000	8,363,503.80
100	8,363.50	900	75,271.53	8,000	669,080.30	200,000	16,727,007.60
150	12,545.26	1,000	83,635.04	9,000	752,715.34	300,000	25,090,511.40
200	16,727.01	1,500	125,452.56	10,000	836,350.38	351,800(1)	29,422,806.36
250	20,908.76	2,000	167,270.08	20,000	1,672,700.75		
300	25,090.51	2,500	209,087.60	30,000	2,509,051.15		
350	29,272.26	3,000	250,905.11	40,000	3,345,401.52		
400	33,454.01	3,500	292,722.62	50,000	4,181,751.90		
450	37,635.78	4,000	334,540.15	60,000	5,018,102.28		
500	41,817.52	4,500	376,357.67	70,000	5,854,452.65		
600	50,181.02	5,000	418,175.19	80,000	6,690,803.05		
700	58,544.52	6,000	501,810.23	90,000	7,527,153.42		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable[1] of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the Company's website at ***www.iflyhealth.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk.***

Hong Kong Public Offering commences . . . . .9:00 a.m. on Wednesday, December 18, 2024

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2] . . . . .11:30 a.m. on Monday, December 23, 2024

Application lists open[3] . . . . 11:45 a.m. on Monday, December 23, 2024

Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfers(s) or PPS payment transfer(s) and giving **electronic application** instructions to HKSCC[4]. . . . . .12:00 noon on Monday, December 23, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3] . . . . .12:00 noon on Monday, December 23, 2024

Announcement of the indication of level of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published and on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.iflyhealth.com**[5] at or before . . . . .11:00 p.m. on Friday, December 27, 2024

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

• in the announcement to be posted on our website and the website of the Stock Exchange at **www.iflyhealth.com** and **www.hkexnews.hk** respectively	at or before 11:00 p.m. on Friday, December 27, 2024
• from the "Allotment Results" page at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function from	11:00 p.m. on Friday, December 27, 2024 to 12:00 midnight on Thursday, January 2, 2025
• from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from	Monday, December 30, 2024 to Friday, January 3, 2025 (excluding Saturday, Sunday and public holiday in Hong Kong)
For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from	6:00 p.m. on Tuesday, December 24, 2024
H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before(6)	Friday, December 27, 2024
HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before(7)(8)	Monday, December 30, 2024
Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at	9:00 a.m. on Monday, December 30, 2024

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions (collectively, "**Severe Weather Signals**") in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 23, 2024, the application lists will not open and will close on that day. For further details, please see the section headed "How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares" in this prospectus.

(5) None of the websites or any of the information contained on the websites forms part of this prospectus.

(6) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document number before encashment of the refund check. Inaccurate completion of an applicant's identification document number may invalidate or delay encashment of the refund check.

(8) Applicants who have applied on the **HK eIPO White Form** service for 300,000 or more Hong Kong Offer Shares may collect any H Share certificates in person from our H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, December 30, 2024 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-Auto Refund payment instructions. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel should refer to the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

H Share certificates and/or refund checks for applicants who have applied for less than 300,000 Hong Kong Offer Shares and any uncollected H Share certificates will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting," "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of severe weather and the dispatch of refund cheques and H Share certificates.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors, officers, representatives or advisors or any other person or party involved in the Global Offering. Information contained on our website, located at ***www.iflyhealth.com****, does not form part of this prospectus.*

Page

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

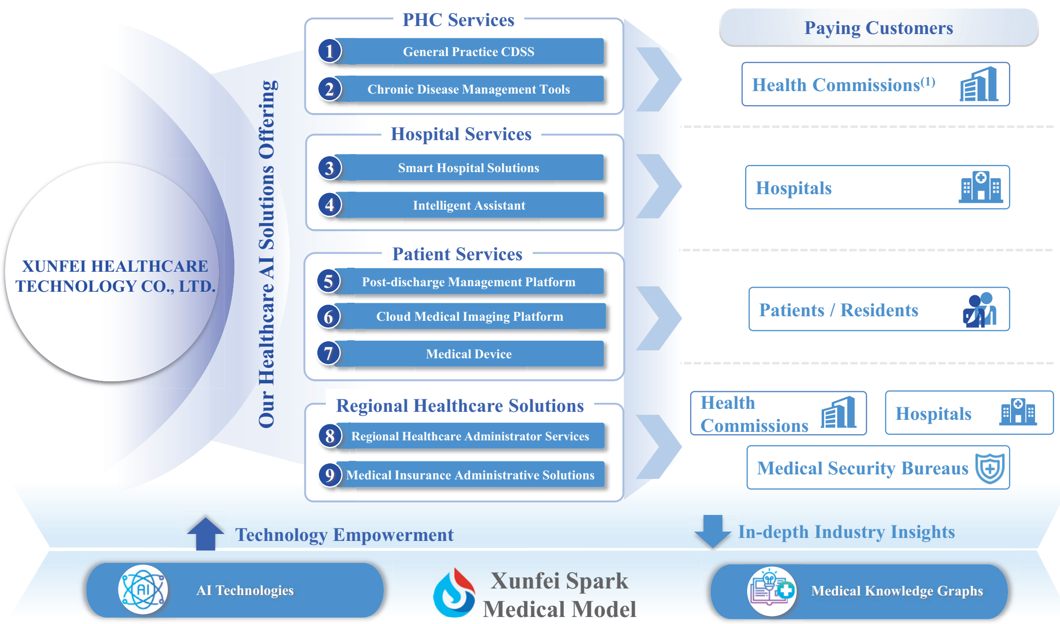
There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Who We Are

We are an AI-empowered healthcare solution provider, offering products and solutions that support a range of healthcare services, ranging from health risk warnings, early screening, auxiliary diagnosis and treatment as well as treatment effect evaluation to post-discharge management and chronic disease management. We have independently developed AI technologies that underpin our products and solutions. Specifically, we offer (i) Primary Health Care ("PHC") Services to assist PHC doctors in improving their service capabilities and enable more effective monitoring by regional healthcare administrators; (ii) Hospital Services to improve the operational efficiency of hospitals and doctors; (iii) Patient Services to enhance the convenience and quality of healthcare services received by patients, including outpatients, inpatients residing in medical institutions and discharged inpatients at home, as well as other individual customers; and (iv) Regional Healthcare Solutions to assist regional healthcare administrators in data-driven integrated management as well as efficient deployment of health insurance funds. We ranked first in the healthcare AI industry in terms of revenue in China with a market share of 5.9% in 2023, according to Frost & Sullivan. iFlytek, a leading AI company focused on research of core AI technology, is our Controlling Shareholder.

The following diagram shows the ecosystem underpinned by our technology capabilities, serving key stakeholders in the healthcare system:



Note:

(1) For PHC Services segment, the paying customers are health commissions, while the end users are PHC institutions.

Our Products and Solutions

Our healthcare AI solution matrix caters to the diverse needs of major stakeholders in the healthcare industry, extending our reach from PHC institutions to hospitals, patients and other individual customers, as well as regional healthcare administrators. Our products and solutions support a range of healthcare services, ranging from health risk warnings, early screening, auxiliary diagnosis and treatment as well as treatment effect evaluation to post-discharge management and chronic disease management. While tailored to different target users in distinct application scenarios, many of our products and solutions are underpinned by the same core technologies, including natural language processing ("NLP") models, medical knowledge graphs, speech recognition and knowledge-based medical reasoning. We generate revenue from both project implementation on project basis and from continual maintenance services and operations services which include AI outbound callings, patient service package, cloud medical imaging and medical device. The duration of our projects generally ranges from one to five years, during which we provide maintenance services free of charge. Upon expiration of the warranty period, we generally charge fees for maintenance and operations services. Our products and solutions include the following:

- *PHC Services*. Our PHC Services business line consists of General Practice Clinical Decision Support System ("CDSS") and Chronic Disease Management Tools. Our General Practice CDSS, as assistance to doctors and medical professionals, provides medical recommendations including diagnosis suggestions, test and examination suggestions as well as medication examinations and auxiliary support such as generation and quality control of electric medical records ("EMRs") to doctors at PHC institutions. Our General Practice CDSS provides medical recommendations and auxiliary support to doctors at PHC institutions to enhance clinical skills, improve the ability to assess medication appropriateness and standardize the diagnosis and treatment process for doctors at PHC institutions, thereby reducing medical errors. It also offers monitoring services for regional healthcare administrators such as provincial-level health commissions, enabling evidence-based quality control and precise management. Our Chronic Disease Management Tools allow patients to upload data, view results and receive timely alerts for irregular conditions, and enable doctors to collect information, decide on interventions and use automated reminder systems. These tools establish a tiered management model for chronic diseases such as hypertension and hyperglycemia and streamline chronic disease management for health commissions and PHC institutions.

- *Hospital Services.* We offer CDSS and patient management solutions which are similar to those mentioned in the above PHC Services in terms of underlying technology, but tailored to hospital operations for doctors at hospitals to increase their work efficiency and medical service quality. Our Hospital Services business line encompasses Smart Hospital Solutions and Intelligent Assistant. Our Smart Hospital Solutions offer services such as (i) intelligent patient triage system and medical history collection services to patients at the pre-diagnosis phase; (ii) the speech-to-text EMR generation tools for the efficiency of doctors at the during-diagnosis phase; and (iii) AI-empowered tools for doctors and medical professionals when conducting patient follow-ups. Our Intelligent Assistant includes General Practice and Specialized CDSS Tools and AI EMR Quality Control.

- *Patient Services.* Our Patient Services business line includes Post-discharge Management Platform (including our Xunfei Xiaoyi App and Mini Program), Cloud Medical Imaging Platform and Medical Device. Our Post-Discharge Management Platform is developed to customize patient management planning post discharge, allowing patients to connect and communicate with their doctors on this platform, upload medical history after hospital discharge, receive medication reminders and conduct self-reports and enabling doctors to gather and analyze data in relation to patient recovery or change of conditions. Our Cloud Medical Imaging Platform is designed to provide remote medical imaging services that allow medical institutions to remotely retrieve medical imaging data from other medical institutions that have been granted shared access, and aid the implementation of a tiered diagnosis and treatment system. Our Medical Device primarily consists of hearing aids. In October 2023, we launched a patient-oriented application empowered by Xunfei Spark Medical Model, Xunfei Xiaoyi App and Mini Program, to meet patients' needs across the pre-visit, consultation or treatment and post-discharge phases. It provides pre-visit enquiry function and supports medication planning, interpretation of medical and health check examination reports, health reminders based on such reports and identification of the correct department for subsequent follow-up visits.

- *Regional Healthcare Solutions*. Our Regional Healthcare Solutions business line consists of Regional Healthcare Administrator Services and Medical Insurance Administrative Solutions. Our Regional Healthcare Administrator Services are designed to promote integrated healthcare administration, covering outpatient services, inpatient services and public health services. Our Medical Insurance Administrative Solutions allow us to expand our customer base from healthcare service providers to healthcare payors. Regional medical security bureaus, PHC institutions and hospitals can use our data-driven solutions to examine and analyze the reasonableness of insurance claims.

Our Project Backlog

The tables below set forth the movement of our project backlog with both the number of projects and contract value for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(count)		
Opening number of backlog	58	112	137	137	208
Added projects	184	276	558	271	268
Completed projects[1]	130	251	487	125	213
Ending number of backlog	112	137	208	283	263

Note:

(1) The number of completed projects only includes that of fully completed projects. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we also generated revenue from 51, 34, 90, 59 and 72 projects that were partially implemented during the same periods, respectively.

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in millions)		
Opening contract value of backlog	150.8	99.4	184.8	184.8	180.7
Added contract value[1]	324.4	559.7	557.0	219.6	241.7
Contract value recognized[1]	375.8	474.3	561.1	196.4	230.5
Ending contract value of backlog	99.4	184.8	180.7	209.9	193.2

Note:

(1) The added contract sum includes the amount derived from all newly added contracts in the respective periods. The contract value recognized includes the revenue recognized under all contracts in the respective periods plus taxes and surcharges we recognized in the respective periods. The taxes and surcharges for 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 were RMB3.3 million, RMB2.4 million, RMB5.0 million, RMB1.9 million and RMB1.3 million, respectively.

Our Technological Advantages

We independently develop technologies based on our deep insights into the healthcare industry. We have established a core technological framework centered around deep neural networks, deep learning and medical knowledge graphs, as well as proprietary core technologies in areas such as speech recognition, image recognition and natural language understanding ("NLU") in the healthcare domain.

Our advancements in AI technology and expanding medical knowledge graphs, both contributing to the development of our proprietary healthcare domain-specific Large Language Model ("LLM"), Xunfei Spark Medical Model, empower us to keep enriching our products and services. This development signifies that our technology has progressed from understanding human language to acquiring cognitive abilities, and further to generating new content in the healthcare industry. In this process, our medical knowledge graphs provide detailed and structured information to continuously improve our healthcare AI technology and its application. Based on these fundamental capabilities, we create modular healthcare plug-ins, such as functionalities for suggesting appropriate medication, analyzing medical reports, controlling the quality of EMRs, creating patient profiles and labelling medical terms. By integrating these healthcare plug-ins, we develop specific capabilities such as CDSS, medication recommendations, intelligent triage and patient-oriented applications (including our Xunfei Xiaoyi App and Mini-Program). These are more complex applications that bear more resemblance to the mental process of healthcare professionals in making decisions. Our technological advantages are notably exemplified by the following breakthroughs:

- we were the only corporate participant in the development of the "Technical Evaluation System and the Standard Specifications of LLMs for Use in Healthcare." This is one of the first industry standards setting the rules for the use of relevant healthcare AI technologies in China to assess the use of AI technologies in the healthcare industry according to Frost & Sullivan;

- we are one of the first market participants in advancing and implementing the LLM in the healthcare industry in China, according to Frost & Sullivan. It is trained with massive high-quality datasets to understand, summarize, generate and predict new content. Applicable in more than 300 medical scenarios, our Xunfei Spark Medical Model has outperformed GPT-4 Turbo in six medical-related NLP tasks as of the Latest Practicable Date, including expert-level medical knowledge graph question answering, clinical language understanding, medical document generation, disease diagnostic and treatment recommendations, multi-round medical dialogue generation and multi-modal interactions in medical scenarios, according to the test organized by the China Telecommunication Technology Labs ("CTTL"), which is part of the China Academy of Information and Communication Technology ("CAICT"); and

- our research branch, dedicated to fundamental technology advancement and industry ecosystem formulation, was accredited as the Key Laboratory for Medical AI Research and Application of Anhui Province. Our research efforts help us solidify our technology advancements to further promote healthcare AI development and continue meeting systemic demand in the healthcare industry.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success:

- Commercialization Capabilities of AI-powered products and services in China's healthcare industry with the largest customer coverage;
- Technological capabilities combined with understanding of the healthcare industry form unique advantages;
- Solutions enable an extendable product portfolio capable of addressing massive and unmet demand;
- Synergistic commercialization strategies that fuel future growth; and
- Management team with interdisciplinary expertise.

See "Business — Competitive Strengths."

BUSINESS STRATEGIES

We have formulated the following strategies in line with our mission and vision:

- Continue strengthen our healthcare AI infrastructure and AI capabilities with increased R&D investments to sustain a competitive edge;
- Expand geographical coverage and customer reach;
- Continuously optimize the solution matrix and promote operating efficiency; and
- Seize new profit opportunities through synergistic commercialization strategies.

See "Business — Business Strategies."

OUR CUSTOMERS AND SUPPLIERS

We have a broad and diverse customer base primarily including regional healthcare administrators, hospitals as well as patients and other individual customers (including those who purchase our medical devices), which expanded during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue generated from our five largest customers in each year/period accounted for 56.4%, 50.3%, 34.4% and 35.9%, respectively, of our revenue during those periods.

Our suppliers mainly include hardware suppliers, software suppliers and service suppliers. In 2021, 2022, 2023 and the six months ended June 30, 2024, purchases from our five largest suppliers in each year/period accounted for 40.8%, 42.2%, 40.1% and 38.8% of our total purchases, respectively. During the same periods, our single largest supplier in each year/period contributed to 27.9%, 21.8%, 18.1% and 20.2% of our total purchases, respectively.

Except for iFlytek Group, who was one of our five largest customers in 2021 and 2023 and one of our five largest suppliers in each year/period during the Track Record Period, none of our Directors and, to the knowledge of our Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital has had any interests in any of our five largest customers or suppliers in each year/period during the Track Record Period and as of the Latest Practicable Date. For details of iFlytek's shareholding status, see "History, Development and Corporate Structure."

COMPETITIVE LANDSCAPE

The market size of the healthcare AI industry in China has increased significantly. According to Frost & Sullivan, the market size of the healthcare AI industry in China grew from RMB2.7 billion in 2019 to RMB8.8 billion in 2023 at a CAGR of 33.8%, and is expected to grow to RMB315.7 billion in 2033 at a CAGR of 43.1% from 2023 to 2033. We have achieved a competitive position in the healthcare AI industry in the PRC. We ranked first in the healthcare AI industry in terms of revenue in China, with a market share of 5.9% in 2023, according to Frost & Sullivan. Our General Practice CDSS ranked first in terms of revenue, with a market share of 61.5% in China's PHC institution CDSS market in 2023, according to Frost & Sullivan.

The healthcare AI industry in China is highly fragmented and competitive. According to Frost & Sullivan, the key entry barriers in the healthcare AI industry include industry insight, financial resources, inter-disciplinary talent and regulatory requirements. We anticipate that the healthcare AI industry will continue to grow driven by the advancement of AI technologies, favorable policies, the demand for medical resources and the development of the digital economy. We must continually innovate to remain competitive. See "Industry Overview."

SPIN-OFF

CSRC promulgated the Spin-off Rules for Listed Companies (For Trial Implementation) (《上市公司分拆規則(試行》), the "Spin-off Rules") on January 5, 2022 and the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") on February 17, 2023. Pursuant to the Spin-off Rules and the Overseas Listing Trial Measures, the offshore listing of the subsidiaries controlled by domestic listed companies shall comply with the conditions set out in the Spin-off Rules and fulfill the filing procedure with CSRC. iFlytek is a company established in PRC whose shares are listed on the Shenzhen Stock Exchange under the stock code of 002230 and was interested in approximately 52.47% of the total issued share capital of our Company as of the Latest Practicable Date. The listing of our Company constitutes a spin-off from iFlytek and is subject to fulfilling the filing procedure with CSRC. iFlytek is a leading AI company focused on research of core AI technology including smart speech, natural language understanding, machine learning and reasoning and independent learning. The listing of our Company was approved by iFlytek's shareholders at an extraordinary general meeting on January 25, 2024, and was approved by the Company's shareholders at an extraordinary general meeting on the same day. As advised by the PRC Legal Advisors, our Company had obtained all necessary approvals and authorization in the PRC in relation to the Listing.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Shares. Some of the major risks that we face include:

- The healthcare AI industry in which we operate is characterized by constant changes. If we fail to continuously improve our technology and provide solutions that address the demands of our customers, our business, financial condition and prospects may be materially and adversely affected.

- We are subject to credit risk related to delay in payment from customers. Any significant delay in payment of our receivables could materially and adversely affect our business, results of operation, liquidity and financial condition.

- The healthcare AI industry in the PRC is subject to extensive and evolving regulatory requirements. Non-compliance with the requirements or changes in the requirements may materially and adversely affect our business and prospects. Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse effect on our business, financial condition and prospects.

- Any loss in deterioration of our relationships with our important customers may materially and adversely affect our business, financial condition and prospects. If we are unable to attract new customers to purchase our offerings or retain existing customers, our business, financial condition and prospects could be materially and adversely affected.

- Any actual or perceived misuse of AI technologies by us or by other third parties, intentionally or inadvertently, could materially and adversely affect our business, financial condition and prospects.

- Failure to further upgrade, iterate, launch or commercialize our products and services or inability to gain market acceptance may have a negative impact on our business, financial condition and prospects.

- We have recorded net losses and operating cash outflow during the Track Record Period. We may not be able to achieve or subsequently maintain profitability in the future.

- We recognized a certain scale of goodwill and intangible assets during the Track Record Period. If we determine our goodwill and/or intangible assets to be impaired, it would adversely affect our financial condition.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Description of Major Components of Our Results of Operations

The following table sets out a summary of our results of operations for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of revenue)									
							(unaudited)			
Revenue	372,452	100.0	471,860	100.0	556,125	100.0	194,531	100.0	229,205	100.0
Cost of sales	(184,723)	(49.6)	(241,191)	(51.1)	(241,471)	(43.4)	(93,176)	(47.9)	(108,007)	(47.1)
Gross profit	**187,729**	**50.4**	**230,669**	**48.9**	**314,654**	**56.6**	**101,355**	**52.1**	**121,198**	**52.9**
Other income	31,227	8.4	44,000	9.3	48,577	8.7	25,305	13.0	12,120	5.3
Impairment losses under expected credit loss model, net of reversal	(628)	(0.2)	(8,602)	(1.8)	(6,187)	(1.1)	(3,508)	(1.8)	(8,402)	(3.7)
Other gains and losses	(350)	(0.1)	2,705	0.6	734	0.1	425	0.2	(141)	(0.1)
Selling expenses	(90,651)	(24.3)	(159,874)	(33.9)	(163,058)	(29.3)	(68,737)	(35.3)	(87,457)	(38.2)
Administrative expenses	(69,349)	(18.6)	(109,391)	(23.2)	(112,559)	(20.2)	(53,899)	(27.7)	(44,496)	(19.4)
Research and development expenses	(159,785)	(42.9)	(241,577)	(51.2)	(263,964)	(47.5)	(127,032)	(65.3)	(135,289)	(59.0)
Listing expenses	(6,268)	(1.7)	(1,440)	(0.3)	(3,901)	(0.7)	(399)	(0.2)	(18,735)	(8.2)
Finance costs	(2,895)	(0.8)	(590)	(0.1)	(1,211)	(0.2)	(41)	(0.0)	(2,087)	(0.9)

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of revenue)									
							(unaudited)			
Loss before tax	**(110,970)**	**(29.8)**	**(244,100)**	**(51.7)**	**(186,915)**	**(33.6)**	**(126,531)**	**(65.0)**	**(163,289)**	**(71.2)**
Income tax credit	21,569	5.8	35,505	7.5	32,691	5.9	20,495	10.5	29,551	12.9
Loss and total comprehensive expenses for the year/period	**(89,401)**	**(24.0)**	**(208,595)**	**(44.2)**	**(154,224)**	**(27.7)**	**(106,036)**	**(54.5)**	**(133,738)**	**(58.3)**
Loss and total comprehensive expenses attributable to:										
– Owners of the Company	(83,707)	(22.5)	(189,400)	(40.1)	(144,842)	(26.0)	(97,513)	(50.1)	(129,653)	(56.6)
– Non-controlling interests	(5,694)	(1.5)	(19,195)	(4.1)	(9,382)	(1.7)	(8,523)	(4.4)	(4,085)	(1.8)
Total	**(89,401)**	**(24.0)**	**(208,595)**	**(44.2)**	**(154,224)**	**(27.7)**	**(106,036)**	**(54.5)**	**(133,738)**	**(58.3)**

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we use adjusted net loss (Non-IFRS measure) for the year and adjusted net loss margins (Non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that the presentation of such non-IFRS measures when shown in conjunction with the corresponding IFRS 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.

We define adjusted loss (Non-IFRS measure) for the year/period as loss for the year/period adjusted by adding back equity-settled share-based payments and listing expenses. Equity-settled share-based payments are non-cash in nature and mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Equity-settled share-based payments are not expected to result in future cash payments. Listing expenses are expenses of professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. The use of non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under IFRS. In addition, non-IFRS measures may be defined differently from similar terms used by other companies.

The following table reconciles our adjusted net loss (Non-IFRS measure) for the year/period and adjusted net loss margins (Non-IFRS measure) for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
			(RMB'000)		
				(unaudited)	
Loss and total comprehensive expenses for the year/period	**(89,401)**	**(208,595)**	**(154,224)**	**(106,036)**	**(133,738)**
Add: Equity-settled share-based payments	34,900	96,653	93,331	47,934	28,632
Add: Listing expenses	6,268	1,440	3,901	399	18,735
Adjusted net loss (Non-IFRS measure) for the year/period	**(48,233)**	**(110,502)**	**(56,992)**	**(57,703)**	**(86,371)**
Adjusted net loss margin (Non-IFRS measure) (%)	**(13.0)**	**(23.4)**	**(10.2)**	**(29.7)**	**(37.7)**

Revenue

Our revenue increased by 26.7% from RMB372.5 million in 2021 to RMB471.9 million in 2022 and further increased by 17.9% to RMB556.1 million in 2023. Such increase was primarily attributable to (i) the continuous expansion of our Regional Healthcare Solutions during the Track Record Period; and (ii) the recent strategic development of our Hospital Services and Patient Services as a result of an increase in project implementation in connection with our Cloud Medical Imaging Platform and an increase in sales of our Medical Device, namely the hearing aids in 2023. Our revenue further increased by 17.8% from RMB194.5 million in the six months ended June 30, 2023, to RMB229.2 million in the six months ended June 30, 2024. Such increase was primarily attributable to (i) our successful customer base expansion of Hospital Services; (ii) an increase in the project implementation of our Cloud Medical Imaging Platform and Post-discharge Management Tools; and (iii) an increase in the sales of Medical Device as a result of the successful launch in 2023 and sales of our Zunxiang version of hearing aids and the successful launch in 2024 and sales of our Xing series (星系

列) of hearing aids. As of June 30, 2024, more than 200 customers purchased at least two of our products or services. As of December 31, 2021, 2022 and 2023 and June 30, 2023 and 2024, our PHC Services offerings covered more than 30,000, 44,000, 52,000, 45,000 and 58,100 PHC institutions in 278, 360, 430, 394 and 604 districts and counties affiliated with 63, 90, 112, 97 and 121 cities, respectively. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had offered Hospital Services to 121, 154, 221 and 247 Class III hospitals and 15, 31, 41 and 46 Class II hospitals in the PRC, respectively.

The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as a percentage of revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of revenue)						*(unaudited)*			
PHC Services	**215,567**	**57.9**	**298,061**	**63.2**	**239,754**	**43.1**	**87,045**	**44.7**	**55,042**	**24.0**
General Practice CDSS	189,868	51.0	217,371	46.1	160,741	28.9	43,240	22.2	31,802	13.9
Chronic Disease Management Tools	25,699	6.9	80,690	17.1	79,013	14.2	43,805	22.5	23,240	10.1
Hospital Services	**82,347**	**22.1**	**43,486**	**9.2**	**64,912**	**11.7**	**22,550**	**11.6**	**58,727**	**25.6**
Patient Services	**32,284**	**8.7**	**36,894**	**7.8**	**134,821**	**24.2**	**39,856**	**20.5**	**94,714**	**41.3**
Post-Discharge Management Tools	20,909	5.6	18,285	3.9	43,182	7.8	9,802	5.0	20,619	9.0
Cloud Medical Imaging Platform	5,177	1.4	12,296	2.6	39,388	7.0	12,685	6.5	46,405	20.2
Medical Device	6,198	1.7	6,313	1.3	52,251	9.4	17,369	8.9	27,690	12.1
Regional Healthcare Solutions	**42,254**	**11.3**	**93,419**	**19.8**	**116,638**	**21.0**	**45,080**	**23.2**	**20,722**	**9.0**
Regional Healthcare Administrator Services	36,603	9.8	83,010	17.6	84,472	15.2	34,027	17.5	18,667	8.1
Medical Insurance Administrative Solutions	5,651	1.5	10,409	2.2	32,166	5.8	11,053	5.7	2,055	0.9
Total	**372,452**	**100.0**	**471,860**	**100.0**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

Gross Profit and Gross Profit Margins

Our gross profit represents our revenue less cost of sales. Our gross profit margins represent our gross profit as a percentage of our revenue. The level of our overall gross profit margins is largely affected by our business mix. Our gross profit increased by 22.9% from RMB187.7 million in 2021 to RMB230.7 million in 2022 and increased by 36.4% to RMB314.7 million in 2023. Our gross profit further increased by 19.6% from RMB101.4 million in the six months ended June 30, 2023, to RMB121.2 million in the six months ended June 30, 2024. Our gross profit margins remained relatively stable at 50.4% and 48.9% in 2021 and 2022, respectively, and increased to 56.6% in 2023, primarily reflecting an increase in gross profit margins in PHC Services, substantially offset by decreases in gross profit margins in Hospital Services, Patient Services and Regional Healthcare Solutions. Our gross profit margin remained relatively stable at 52.1% in the six months ended June 30, 2023 and 52.9% in the six months ended June 30, 2024, mainly attributed to (i) the lower gross profit margin of Hospital Services in the six months ended June 30, 2023 due to the revenue recognition of two large-scale projects with lower gross profit margins. One of these projects required a high level of customization and the other required us to strategically source and integrate external products or services to meet customers' specific requirements, resulting in higher cost of sales as a percentage of revenue along with lower gross profit margins; and (ii) the higher gross profit margin in the six months ended June 30, 2024 of our Patient Services due to an increased economies of scale of Cloud Medical Imaging Platform along with its increased project implementation. These increases in gross profit margin were substantially offset by a decrease in the gross profit margin of Regional Healthcare Solutions primarily because of (i) the revenue recognition of two large-scale projects in the six months ended June 30, 2023 with higher gross profit margins of over 80.0% due to a higher level of standardization and correspondingly a lower demand for customization and fine-tuning, resulting in a lower cost of sales as a percentage of revenue along with higher gross profit margins; and (ii) the revenue recognition of several large-scale projects in the six months ended June 30, 2024 with lower gross profit margins due to the higher proportion of externally sourced products or services. The higher level of externally sourced products or services resulted in a relatively high cost of sales as a percentage of revenue and therefore relatively low gross profit margins. See "Financial Information — Period-to-Period Comparison of Results of Operations — Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023 — Gross Profit and Gross Profit Margin" for details.

The following table sets forth our gross profit and gross profit margins for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margins	Gross profit	Gross profit margins	Gross profit	Gross profit margins	Gross profit	Gross profit margins	Gross profit	Gross profit margins
					(RMB'000, %)					
							(unaudited)			
PHC Services	**105,879**	**49.1**	**159,114**	**53.4**	**143,685**	**59.9**	**47,822**	**54.9**	**30,637**	**55.7**
General Practice CDSS	93,220	49.1	120,388	55.4	103,244	64.2	25,038	57.9	16,474	51.8
Chronic Disease Management Tools	12,660	49.3	38,726	48.0	40,441	51.2	22,784	52.0	14,163	60.9
Hospital Services	**41,983**	**51.0**	**14,177**	**32.6**	**36,308**	**55.9**	**10,058**	**44.6**	**28,255**	**48.1**
Patient Services	**14,683**	**45.5**	**14,399**	**39.0**	**77,422**	**57.4**	**22,057**	**55.3**	**56,624**	**59.8**
Post-Discharge Management Tools	10,084	48.2	6,303	34.5	21,825	50.5	4,028	41.1	10,198	49.5
Cloud Medical Imaging Platform	1,355	26.2	4,001	32.5	17,435	44.3	5,474	43.2	26,479	57.1
Medical Device	3,243	52.3	4,095	64.9	38,162	73.0	12,555	72.3	19,947	72.0
Regional Healthcare Solutions	**25,185**	**59.6**	**42,979**	**46.0**	**57,239**	**49.1**	**21,418**	**47.5**	**5,682**	**27.4**
Regional Healthcare Administrator Services	21,789	59.5	34,627	41.7	39,991	47.3	16,670	49.0	4,313	23.1
Medical Insurance Administrative Solutions	3,396	60.1	8,352	80.2	17,248	53.6	4,748	43.0	1,369	66.7
Total	**187,729**	**50.4**	**230,669**	**48.9**	**314,654**	**56.6**	**101,355**	**52.1**	**121,198**	**52.9**

Loss and Total Comprehensive Expenses for the Year/Period

We recorded net losses of RMB89.4 million, RMB208.6 million, RMB154.2 million, RMB106.0 million and RMB133.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 24.0%, 44.2%, 27.7%, 54.5% and 58.3% of our total revenue during the same periods. Our net losses recorded during the Track Record Period were primarily in relation to: (i) our early efforts to launch new products, enhance market acceptance and penetrate the markets of economically developing regions and (ii) our substantial investment in R&D activities. See "Business — Business Sustainability — Our Early Efforts to Lay the Groundwork."

Consolidated Statements of Financial Position

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)			
Non-current assets	286,737	377,630	384,463	410,639
Current assets	727,076	651,954	853,151	860,235
Current liabilities	487,519	603,440	671,047	791,017
Net current assets	239,557	48,514	182,104	69,218
Total assets less current liabilities	526,294	426,144	566,567	479,857
Non-current liabilities	29,263	26,407	16,707	35,135
Net assets	497,031	399,737	549,860	444,722
Non-controlling interests	70,466	58,506	51,073	47,431

Our net current assets decreased from RMB182.1 million as of December 31, 2023, to net current assets of RMB69.2 million as of June 30, 2024, primarily due to (i) a decrease in cash and cash equivalents; and (ii) an increase in bank borrowings. Our net current assets increased from RMB48.5 million as of December 31, 2022, to RMB182.1 million as of December 31, 2023, primarily due to (i) an increase in trade and other receivables primarily due to an increase in the sales of our products and services, partially offset by a decrease in amounts due to the ultimate holding company primarily due to the decreased purchase of products and services from the Controlling Shareholder and the settlement of some amounts due to it. Our net current assets decreased from RMB239.6 million as of December 31, 2021 to RMB48.5 million as of December 31, 2022, primarily due to (i) a decrease in cash and cash equivalents in relation to an increase in net cash used in operating activities in line with our business growth; and (ii) an increase in bill, trade and other payables due to an increase in purchases of goods and services from our suppliers in line with our business growth.

Our net assets decreased from RMB497.0 million as of December 31, 2021, to RMB399.7 million as of December 31, 2022, primarily due to losses and total comprehensive expenses for the year of RMB208.6 million in 2022, partially offset by equity-settled share-based payments of RMB96.7 million in the same year. Our net assets subsequently increased to RMB549.9 million as of December 31, 2023, primarily because of an issuance of ordinary shares of RMB210.0 million and equity-settled share-based payments of RMB93.3 million, partially offset by losses and total comprehensive expenses for the year of RMB154.2 million in 2023. Our net assets decreased from RMB549.9 million as of December 31, 2023 RMB444.7 million as of June 30, 2024, primarily due to losses and total comprehensive expenses for the year of RMB133.7 million in the six months ended June 30, 2024, partially offset by equity-settled share-based payments of RMB28.6 million in the same period. See Note 33 to the Accountants' Report in Appendix I for details on the issuance of ordinary shares and equity-settled share-based payments.

Trade Receivables

Our trade receivables increased by 71.0% from RMB163.2 million as of December 31, 2021 to RMB279.0 million as of December 31, 2022, by 82.8% to RMB510.0 million as of December 31, 2023 and further by 13.6% to RMB579.1 million as of June 30, 2024, mainly as a result of an increase in the sales of our products and services and the longer payment cycles of certain regional healthcare administrator customers. We had relatively long and increasing trade receivables turnover days during the Track Record Period, amounting to 160.1 days, 249.9 days, 305.6 days and 450.2 days in 2021, 2022, 2023 and the six months ended June 30, 2024, primarily because our regional healthcare administrator and other SOE customers in the public sector typically have a long payment cycle as required by their internal financial management and payment approval processes. Our overdue trade receivables amounted to RMB64.8 million, RMB159.3 million, RMB324.9 million and RMB452.1 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. To manage risks associated with trade receivables, we maintain frequent communications with our customers to ensure effective credit control. For trade receivables overdue for more than six months, we generally involve our legal department to take actions such as issuing demand or lawyer's letters and initiating litigation. In addition, we have engaged an independent valuation consultant with qualifications to conduct an analysis on our trade receivables, who confirms that sufficient provision for trade receivables has been made. As we plan and expect to derive a higher portion of revenue from Hospital Services and Patient Services, we anticipate a more straightforward process in the collection of trade receivables.

Cash Flow

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

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
			(RMB'000)		
				(unaudited)	
Net cash used in operating activities	(52,681)	(113,934)	(314,305)	(126,190)	(134,114)
Net cash (used in) from investing activities	(57,557)	(93,277)	465	45,420	(7,777)
Net cash from (used in) financing activities	444,674	(63,998)	293,326	19,645	101,353
Net increase (decrease) in cash and cash equivalents	**334,436**	**(271,209)**	**(20,514)**	**(61,125)**	**(40,538)**
Cash and cash equivalents at the beginning of the year/period	99,791	434,227	163,018	163,018	142,504
Cash and cash equivalents at the end of the year/period, represented by bank balance and cash	**434,227**	**163,018**	**142,504**	**101,893**	**101,966**

We had net operating cash outflow of RMB52.7 million, RMB113.9 million, RMB314.3 million, RMB126.2 million and RMB134.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, which was primarily due to our losses before tax. Our trade receivable balance also impacted our cash position.

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We regularly review our major funding positions to ensure that we have adequate financial resources for meeting our financial obligations. See Note 37 to the Accountants' Report in Appendix I to this prospectus.

Our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus based on our cash flow projections and taking into account our business operations as well as the financial resources available to us, including our cash and cash equivalents, unutilized banking facilities and estimated net proceeds from the Global Offering. As of the Latest Practicable Date, our unutilized committed banking facilities amounted to approximately RMB343.3 million. See "Financial Information — Major Factors Affecting Our Results of Operations — Company-Specific Factors — Working Capital Management."

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Revenue growth (%)	16.2	26.7	17.9	N/A	17.8
Gross profit margin[(1)] (%)	50.4	48.9	56.6	52.1	52.9
Net loss margin[(2)] (%)	(24.0)	(44.2)	(27.7)	(54.5)	(58.3)
Adjusted net loss margin[(3)] (Non-IFRS measure) (%)	(13.0)	(23.4)	(10.2)	(29.7)	(37.7)

Notes:

(1) Gross profit margin equals gross (loss)/profit divided by revenue for the period and multiplied by 100%.

(2) Net loss margin equals net (loss)/profit divided by revenue for the period and multiplied by 100%.

(3) Adjusted net profit/(loss) margin (Non-IFRS measure) equals adjusted net profit/loss (Non-IFRS measure) divided by revenue for the period and multiplied by 100%.

BUSINESS SUSTAINABILITY

To capture the market opportunities and sustain our long-term growth, we have invested significant resources in R&D to develop our healthcare AI technology, in particular our healthcare domain-specific LLMs, and upgrade our products and solutions as well as in sales activities during the Track Record Period. We recorded net losses of RMB89.4 million, RMB208.6 million, RMB154.2 million, RMB106.0 million and RMB133.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Eliminating the impact of items including (i) equity-settled share-based payments; and (ii) listing expenses, we generated adjusted net losses (Non-IFRS measure) during the Track Record Period. Our adjusted net losses (Non-IFRS measure) amounted to RMB48.2 million, RMB110.5 million, RMB57.0 million, RMB57.7 million and RMB86.4 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. See "Financial Information — Non-IFRS Measures." We may continue to generate adjusted net loss (Non-IFRS measure), and we may not be able to break even in the near future. We recorded net cash used in operating activities of RMB52.7 million, RMB113.9 million, RMB314.3 million, RMB126.2 million and RMB134.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

We plan to improve our financial performance by (i) efficiently expanding coverage and customer reach for each of our business lines. For PHC Services, we plan to continue our phased penetration strategy to enhance market presence; for Hospital Services, we plan to increase the collaboration with leading hospitals to demonstrate our service capabilities and launch more value-added services to seize market potentials; for Patient Services, we will further diverse and evolve our offerings to generate sustainable cash flow; for Regional Healthcare Solutions, we will continue to implement benchmark cases to showcase the value of our products; (ii) continuously optimizing and enriching our solution matrix, and enhancing product quality, features and functions to improve product competitiveness. Specifically, we plan to (a) optimize the function of our existing products and services, (b) explore new opportunities to extend more services to scale up and diversify our revenue, and (c) enhance our offerings with our LLM advancements; (iii) effectively managing expenses to improve profitability via enhanced measures to control costs and increase human capital efficiency, and enhancing operational efficiency and economies of scale by achieving synergies across medical scenarios and among different types of customers; and (iv) effectively managing working capital through systemic measures. See "Business — Business Sustainability — Further Plans to Improve Financial Performance" for details.

During the Track Record Period, we had an expanding customer base and project implementation, with the number of customers with whom we signed contracts to implement projects increasing from 128 in 2021 to 172 in 2022 and 246 in 2023, and further increasing from 95 in the six months ended June 30, 2023 to 137 in the same period in 2024. We also had diversified sources of revenue from both project implementation and continual provision of products and services, including maintenance services and operations services which include AI outbound callings, patient service package, cloud medical imaging and medical devices. In 2021, 2022 and 2023, revenue from continual provision of products and services as a percentage of our total revenue increased from 6.4% in 2021 to 8.5% in 2022, to 21.7% in 2023, and further from 22.2% in the six months ended June 30, 2023 to 38.0% in the six months ended June 30, 2024. We also expanded our geographic coverage with products and services offered to 27, 29, 31, 23 and 24 provinces and 63, 102, 112, 64 and 83 cities in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Benefited from our expanding customer base and project implementation, diversified sources of revenue and enlarged geographic coverage and increased market penetration, we achieved steady revenue growth during the Track Record Period. Our revenue grew from RMB372.5 million in 2021 to RMB471.9 million in 2022 and further to RMB556.1 million in 2023 and increased from RMB194.5 million in the six months ended June 30, 2023, to RMB229.2 million in the six months ended June 30, 2024. Our gross profit margins remained stable at 50.4% and 48.9% in 2021 and 2022, respectively, and increased to 56.6% in 2023. Our gross profit margin remained relatively stable at 52.1% in the six months ended June 30, 2023 and 52.9% in the six months ended June 30, 2024. See "Financial Information — Period-to-Period Comparison of Results of Operations — Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023 — Gross Profit and Gross Profit Margin" for details. Moving forward, as our business grows, we will focus more on increasing the repurchase rates of customers. Benefiting from competitive edges we have established and the strategies we plan to adhere to, we believe we will be able to maintain the sustainability and growth of our business.

Our adjusted net loss margins (Non-IFRS measure) improved from 23.4% in the year ended December 31, 2022, to 10.2% in the year ended December 31, 2023. Our adjusted net loss margins (Non-IFRS measure), and increased from adjusted net loss margins of 29.7% in the six months ended June 30, 2023 to adjusted net loss margins of 37.7% in the six months ended June 30, 2024 mainly as a result of the increased loss and total comprehensive expenses for the period for the six months ended June 30, 2024 from the same period in 2023. We expect to incur net losses and net operating cash outflows for 2024 as we continue to invest in R&D activities for the development, upgrade and optimization of our healthcare AI technologies.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be converted from Unlisted Shares and issued pursuant to the Global Offering, on the basis that we satisfy the market capitalization/revenue test under Rule 8.05(3).

OUR CONTROLLING SHAREHOLDER

As of the Latest Practicable Date, iFlytek was interested in approximately 52.47% of the total issued share capital of our Company. Immediately following the completion of the Global Offering, iFlytek will be interested in approximately 49.42% of our total issued share capital (assuming the Over-allotment Option is not exercised) or approximately 48.99% of our total issued share capital (assuming the Over-allotment Option is exercised in full). Therefore, iFlytek will remain as our Controlling Shareholder upon the Listing. Our Directors believe that the principal businesses of our Group do not, and are not likely to, compete with the businesses of iFlytek Group.

We have entered into a number of non-exempt continuing connected transactions with iFlytek, including: (i) Services and Products Procurement Framework Agreement, (ii) Products Provision Framework Agreement, and (iii) Bidding Cooperation Agreement. In relation to these transactions, our Directors are of the view that our Company operates independently from our Controlling Shareholder. See "Relationship with our Controlling Shareholder — Independence from our Controlling Shareholder" for further details.

PRE-IPO INVESTMENTS

As of the Latest Practicable Date, the Pre-IPO Investors hold approximately 11.16% of our total issued share capital. Immediately following the completion of the Global Offering, the Pre-IPO Investors will hold 10.51% of our total issued share capital (assuming the Over-allotment Option is not exercised) or approximately 10.42% of our total issued share capital (assuming the Over-allotment Option is exercised in full). All the special rights granted to Pre-IPO Investors shall be terminated one day before the submission of the Listing application to the Stock Exchange, and our Shares held by the Pre-IPO Investors are subject to a statutory lock-up period of 12 months after the date of Listing. For details regarding the background of the Pre-IPO Investors, see "History, Development and Corporate Structure — Pre-IPO Investments."

OFFERING STATISTICS

	Based on an Offer Price of HK$82.8 per H Share
Market capitalization of our H Shares[1]	HK$6,400.2 million
Market capitalization of our Shares[2]	HK$10,008.7 million
Unaudited *pro forma* adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024, per Share[3]	HK$6.87

Notes:

(1) The calculation is based on the assumption that 7,035,550 H Shares will be issued pursuant to the Global Offering and 70,261,562 Unlisted Shares will be converted into H Shares (without taking into account H Shares that may be issued upon the exercise of the Over-allotment Option).

(2) The calculation is based on 43,581,121 Unlisted Shares in issue, 70,261,562 H Shares converted from Unlisted Shares and 7,035,550 H Shares expected to be in issue immediately upon completion of the Global Offering (without taking into account H Shares that may be issued upon the exercise of the Over-allotment Option).

(3) The unaudited *pro forma* adjusted consolidated net tangible assets per Share as of June 30, 2024, is calculated after making the adjustments referred to Appendix II. H Shares will be issued pursuant to the Global Offering (without taking into account H Shares that may be issued upon the exercise of the Over-allotment Option).

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately HK$75.40 million, representing approximately 12.94% of the gross proceeds from the Global Offering. The listing expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK$16.35 million underwriting-related fees and approximately HK$59.05 million non-underwriting-related fees (including fees and expenses of legal advisors and the reporting accountant of approximately HK$40.35 million and other fees and expenses of approximately HK$18.70 million). Among the total listing expenses, approximately HK$21.03 million will be directly attributable to the issue of our H Shares and will be deducted from equity, approximately HK$32.85 million was recorded during the Track Record Period, and the remaining HK$21.52 million will be recorded in consolidated statements of profit or loss after June 30, 2024. Our Directors do not expect such expenses to materially impact our results of operations in 2024.

FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering and assuming an Offer Price of HK$82.8 per Share, we estimate that we will receive net proceeds of approximately HK$507.1 million from the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 32.4% of the net proceeds, or HK$164.0 million, will be used to invest in research and development to continuously reinforce our core competence by (i) constantly upgrading our Xunfei Spark Medical Model; (ii) continuously optimizing our algorithms and reinforcing our core technologies such as machine learning; and (iii) constructing our overseas R&D center and attracting top-tier AI talents overseas;

- approximately 26.6% of the net proceeds, or HK$135.0 million, will be used to further enrich our products and services through upgrading existing products and developing new products;

- approximately 24.7% of the net proceeds, or HK$125.1 million, will be used to reinforce our commercialization capabilities and expand our service network;

- approximately 6.4% of the net proceeds, or HK$32.3 million, will be used to acquire companies that may generate synergies with our existing capacities, such as medical device manufactures; and

- approximately 10.0% of the net proceeds, or HK$50.7 million, will be used for working capital and other general corporate purposes.

See "Future Plans and Use of Proceeds."

DIVIDEND

No dividends were paid or declared by our Company or any of our subsidiaries during the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not have any dividend policy to declare or pay any dividends in the foreseeable future.

The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law and will depend on a number of factors, including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. There is no assurance that dividends of any amount will be declared or distributed in any year. Currently, we do not intend to adopt a formal dividend policy or a fixed dividend distribution ratio following the listing.

As confirmed by our PRC Legal Advisors, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient profit to our statutory common reserve fund, as described above. In light of our accumulated losses as disclosed in this prospectus and our expected forecast losses in 2024 due to our continued investments in research and development as well as selling expenses, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

IMPACT OF COVID-19

Since the end of December 2019, the COVID-19 pandemic materially and adversely affected the global economy. The COVID-19 pandemic had a mixed impact of positive and negative effects on our general business operation and financial performance during the Track Record Period. While our business was not directly negatively impacted by the COVID-19 pandemic, as our regional healthcare administrator customers diverted financial resources to combat the pandemic, we recorded longer trade receivables turnover days. See "Financial Information — Discussion of Selected Items From the Consolidated Statements of Financial Position — Current Assets and Liabilities — Trade and Other Receivables — Trade receivables." Save for the aforementioned, our Directors considered that we had not experienced any material delay in projects or our research and development process, or any material adverse impact on our business operations and financial condition, due to the COVID-19 pandemic or its negative impact on trade receivables turnover days up to the Latest Practicable Date. Our Directors also considered that the COVID-19 pandemic or its negative impact on trade receivables turnover days will not pose any material adverse impact on our business operations and financial condition in the future.

On the other hand, according to Frost & Sullivan, the COVID-19 pandemic has promoted heightened awareness of preventing and monitoring infectious disease and created market potential for AI healthcare products and services for regional healthcare administrators to better track, monitor and respond to potential outbreaks of infectious diseases. We expect to expand our offerings, namely our infectious disease EWARS solutions, to regional healthcare administrators to address such demand.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

We experienced an increase in the overall revenue in the eleven months ended November 30, 2024 as compared with the same period in 2023. In particular, our Hospital Services and Patient Services experienced continued significant revenue growth in the eleven months ended November 30, 2024 as compared with the same period in 2023, in line with our long-term strategy to diversify revenue mix by further expanding our Hospital and Patient Services. Although the revenue from PHC Services and Regional Healthcare Solutions slightly decreased in the eleven months ended November 30, 2024 as compared with the same period in 2023 because of the deceleration in the procurement and contract finalization process of healthcare administrators since the end of 2022 to 2024, the number of customers with whom we signed contracts to implement projects and the number of projects involved in these contracts under our PHC Services and Regional Healthcare Solutions increased from the eleven months ended November 30, 2023 to the same period in 2024. In addition, the gross profit margin of our PHC Services remained relatively high. We will continue implementing our plans to improve financial performance and strategies, to turn around the performance of PHC Services and Regional Healthcare Solutions along with the alleviation of the temporary lag in the market.

The table below sets forth the details of the number of contracted projects, which represent projects in the newly awarded contracts during the years/periods indicated, and the total contract value of these projects during the periods indicated:

	Eleven months ended November 30,			
	2023		**2024**	
	Number of contracted projects[(2)]	**Contract value**	**Number of contracted projects** [(2)]	**Contract value**
		(RMB in millions)		*(RMB in millions)*
PHC Services	**108**	**186.1**	**364**	**177.0**
General Practice CDSS	55	133.1	226	116.1
Chronic Disease Management Tools	53	53.0	138	60.9
Hospital Services	**82**	**58.4**	**83**	**103.4**
Patient Services	**50**	**29.3**	**51**	**41.9**
Post-Discharge Management Platform[(1)]	50	29.3	51	41.9
Regional Healthcare Solutions	**16**	**60.2**	**48**	**118.7**
Regional Healthcare Administrator Services	9	33.0	31	71.6
Medical Insurance Administrator Solutions	7	27.2	17	47.1
Total	**256**	**334.0**	**546**	**441.0**

Notes:

(1) Not including districts and community outbound calling projects, which are usually numerous and small-scale and generally do not require bidding.

(2) When a single project encompasses multiple secondary business lines, it is included in the project count for each of those secondary business lines.

Despite our continued expansion in customer base and increase in revenue, we may continue to incur net losses in the near future, including the years ending December 31, 2024, mainly due to our continued investments in research and development as well as selling expenses.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2024, being the end date of the periods reported in Appendix I to this prospectus, and there has been no event since June 30, 2024, that would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

In this Prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this prospectus
"Affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Anhui Imaging Union"	Anhui Imaging Union Co., Ltd.* (安徽影聯雲享醫療科技有限公司), a limited liability company established in the PRC on October 26, 2015, one of our subsidiaries
"Anhui Investment"	Anhui Development Investment Co., Ltd.* (安徽省開發投資有限公司), a limited liability company established in the PRC on October 22, 2015
"Anhui Xunfei Yizhi Technology"	Anhui Xunfei Yizhi Intelligence Technology Co., Ltd.* (安徽訊飛醫智科技有限公司), a limited company established in PRC on December 13, 2023, one of our subsidiaries
"Anhui Yanzhi"	Anhui Yanzhi Technology Co., Ltd.* (安徽言知科技有限公司), a limited company established in PRC on December 9, 2019, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"
"Articles of Association" or "Articles"	the articles of association of our Company, which was passed by our Shareholders at the Shareholders' meeting on January 25, 2024, which shall become effective on the Listing Date, as amended, supplemented, or otherwise modified from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Company

"Authorized Representative(s)"	the authorized representative(s) of our Company
"Beijing Anke"	Beijing Anke Zhiyuan Medical Technology Co., Ltd. (北京安科智遠醫療科技有限公司), a limited liability company established in the PRC on June 6, 2024, one of our subsidiaries
"Beijing Huiji"	Beijing Huiji Intelligent Medical Technology Co., Ltd.* (北京惠及智醫科技有限公司), a limited liability company established in the PRC on June 5, 2020, one of our subsidiaries
"Board" or "Board of Directors"	the board of Directors of our Company
"Board Committee(s)"	the board committees of our Company, namely the Audit Committee, the Remuneration Committee and the Nomination Committee
"Business day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAC"	Cyberspace Administration of China (中國國家互聯網信息辦公室)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China for the purpose of this prospectus and for geographical reference only, except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong SAR, Macau Special Administrative Region and Taiwan Region
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司), a joint stock company established in PRC on December 24, 2021, and if the context requires, including its predecessors prior to the establishment of our Company
"Compliance Advisor"	has the meaning ascribed to it under the Listing Rules
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to iFlytek. See "Relationship with Our Controlling Shareholder"
"Conversion"	the conversion of our Company into a joint stock company as described in the section headed "History, Development and Corporate structure" in this prospectus
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Directors"	the directors of our Company
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FINI" or "Fast Interface for New Issuance"	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listing of securities

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company, which is an Independent Third Party
"General Rules of HKSCC"	General Rules of HKSCC published by the Stock Exchange and as amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gongqingcheng Huizhi"	Gongqingcheng Huizhi Yuntong Equity Investment Partnership (Limited Partnership)* (共青城匯智耘通股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 20, 2020, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"
"Group," "our Group," "the Group," "we," "us," or "our"	our Company, subsidiaries and consolidated affiliated entities from time to time
"Guide"	the Guide for New Listing Applicants published by the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Guoke Ruihua"	Shenzhen Guoke Ruihua Phase III Equity Investment Fund Partnership (Limited Partnership)* (深圳市國科瑞華三期股權投資基金合夥企業(有限合夥)), a partnership established in the PRC on February 4, 2020, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"
"Hainan Yuema"	Hainan Yuema Zhengchun Venture Capital Center (Limited Partnership)*(海南躍馬爭春創業投資中心(有限合夥)), formerly known as Guyu Nange Technology Development Center (Limited Partnership)* (上海顧嶼南歌科技發展中心(有限合夥)), a limited partnership established in the PRC on August 30, 2023, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"

"Hefei Tongchuang"	Hefei Tongchuang Small and Medium Enterprise Development Fund Partnership (Limited Partnership)* (合肥同創中小企業發展基金合夥企業(有限合夥)), a limited partnership established in the PRC on May 12, 2021, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"
"Hefei Zhengsheng"	Hefei Zhengsheng Information Technology Partnership (Limited Partnership)* (合肥正昇信息科技合夥企業(有限合夥)), a limited partnership established in the PRC on April 4, 2018, one of our shareholding platforms, the details of which are set out in "History, Development and Corporate structure" and "Statutory and General Information — 5. Share Ownership Plan"
"H Share(s)"	Overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing and permission to deal in on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited

"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via FINI to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 703,600 H Shares initially offered by our Company (subject to reallocation) pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares by our Company for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in "Underwriting — Hong Kong Underwriters
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 17, 2024 relating to the Hong Kong Public Offering entered into by our Company, the Joint Sponsors, the Overall Coordinators and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement"

"iFlytek"	iFlytek Co., Ltd. (科大訊飛股份有限公司), a company established in PRC whose shares are listed on the Shenzhen Stock Exchange under the stock code of 002230, our Controlling Shareholder
"iFlytek Group"	iFlytek and its subsidiaries which, for the purpose of this prospectus and unless the context otherwise requires, excludes our Group
"iFlytek Haihe"	iFlytek Haihe (Tianjin) AI Venture Capital Fund Partnership (Limited Partnership)* (訊飛海河(天津)人工智能創業投資基金合夥企業(有限合夥), a limited partnership established in the PRC on April 27, 2020, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Listing Rules
"International Offer Shares"	the 6,331,950 H Shares being initially offered for subscription at the Offer Price under the International Offering, subject to reallocation as described under "Structure of the Global Offering"
"International Offering"	the offer of the International Offer Shares outside the United States in offshore transactions in accordance with Regulation S, as further described in "Structure of the Global Offering"
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering

"International Underwriting Agreement"	the underwriting agreement relating to the International Offering and expected to be entered into by our Company, the Joint Sponsors, the Overall Coordinators and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting — Underwriting Arrangements and Expenses — International Offering"
"Joint Bookrunners"	the joint bookrunners as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Global Coordinators"	the joint global coordinators as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Sponsors"	the joint sponsors as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Kexun Capital"	Anhui Kexun Venture Capital Fund Partnership (Limited Partnership)* (安徽科訊創業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on January 6, 2016, one of our Substantial Shareholders, the details of which are set out in "History, Development and Corporate structure"
"Kexun Lianshan"	Hefei Kexun Lianshan Innovation Industry Investment Fund Partnership (Limited Partnership)* (合肥科訊連山創新產業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on October 26, 2020, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"
"Kexun Ruijin"	Hefei Kexun Ruijin Investment Management Partnership (Limited Partnership)* (合肥科訊睿進投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on December 22, 2015
"Latest Practicable Date"	December 9, 2024, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Listing"	the listing of our H shares on the main board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Monday, December 30, 2024 on which the H Shares are listed on the Main Board of the Hong Kong Stock Exchange and from which dealings in the H Shares are permitted to commence on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Lvliang Investment"	Lvliang Economic Development Zone Information Investment and Construction Co., Ltd.* (呂梁市經開區信息化投資建設有限公司), a limited company established in the PRC on November 4, 2019
"Lvliang Xunfei"	Lvliang Keda Xunfei Medical Information Technology Co., Ltd.* (呂梁科大訊飛醫療信息技術有限公司), a limited liability company established in the PRC on December 1, 2021, one of our subsidiaries, the details of which are set out in "History, Development and Corporate structure"
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOST"	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)

"Nanjing Zhengchang"	Nanjing Zhengchang Technology Partnership (Limited Partnership)* (南京正昶科技合夥企業(有限合夥)), a limited partnership established in the PRC on December 9, 2022, one of our shareholding platforms, the details of which are set out in "History, Development and Corporate structure" and "Statutory and General Information — 5. Share Ownership Plan"
"Nanjing Zhenghui"	Nanjing Zhenghui Information Technology Partnership (Limited Partnership)* (南京正暉信息科技合夥企業(有限合夥)), a limited partnership established in the PRC on December 3, 2021, one of our shareholding platforms, the details of which are set out in "History, Development and Corporate structure" and "Statutory and General Information — 5. Share Ownership Plan"
"Nanjing Zhengyang"	Nanjing Zhengyang Information Technology Partnership (Limited Partnership)* (南京正暘信息科技合夥企業(有限合夥)), a limited partnership established in the PRC on December 3, 2021, one of our employee shareholding platforms, the details of which are set out in "History, Development and Corporate structure" and "Statutory and General Information — 5. Share Ownership Plan"
"Negative List"	the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition), most recently jointly promulgated by the MOFCOM and the NDRC on September 6, 2024 and which became effective on November 1, 2024, as amended, supplemented or otherwise modified from time to time
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NHSA"	National Healthcare Security Administration of the PRC (中華人民共和國國家醫療保障局)
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會)
"NMPA"	National Medical Products Administration (國家藥品監督管理局)

"Offer Price"	HK$82.8 per Offer Share (exclusive of any brokerage fee, SFC transaction levy, AFRC transaction levy and the Hong Kong Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in "Structure of the Global Offering"
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 1,055,300 H Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"Overall Coordinators"	the overall coordinators as named in "Directors, Supervisors and Parties Involved in the Global Offering" section of this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time

"PRC Legal Advisors"	CM Law Firm (上海澄明則正律師事務所), our legal advisors as to the laws of the PRC
"Pre-IPO Investors"	Tianzheng Investment, Gongqingcheng Huizhi and Zibo Jizhi, Hefei Tongchuang, iFlytek Haihe and Kexun Lianshan, Shanghai Shuiyao, Guoke Ruihua, Hainan Yuema and Anhui Yanzhi
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	each being 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
"Pu'er Xunfei"	Pu'er Keda Xunfei Information Technology Co., Ltd.* (普洱科大訊飛信息技術有限公司), a limited liability company established in the PRC on June 9, 2022, one of our subsidiaries, the details of which are set out in "History, Development and Corporate structure"
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as the SAMR
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
"SAT"	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

"Securities Law" or "PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Shuiyao"	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd.* (上海水遙企業管理諮詢服務有限責任公司), a limited liability company established in the PRC on February 19, 2021, one of our Pre-IPO Investors, the details of which are set out in the section headed "History, Development and Corporate structure" in this prospectus
"Shanghai Zhixin"	Shanghai Xunfei Zhixin Medical Technology Co., Ltd.* (上海訊飛智心醫療科技有限責任公司), a limited liability company established in the PRC on September 28, 2022, one of our subsidiaries
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Stabilizing Manager"	Huatai Financial Holdings (Hong Kong) Limited
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Taizhou Xunfei"	Taizhou Xunfei Medical Artificial Intelligence Healthcare Research Institute Co., Ltd.* (泰州訊飛醫療人工智能研究院有限公司), a limited liability company established in the PRC on December 11, 2023, one of our subsidiaries

"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianzheng Investment"	Shenzhen Tianzheng Investment Co., Ltd.* (深圳市天正投資有限公司), a limited liability company established in the PRC on October 16, 2008, one of our Pre-IPO Investors, the details of which are set out in the section headed "History, Development and Corporate structure" in this prospectus
"Track Record Period"	The three years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Share(s)"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US$," "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Export Control and Sanctions Counsel"	Pillsbury Winthrop Shaw Pittman LLP, the U.S. export control and sanctions counsel of our Company
"Xunfei Technology (Hong Kong)"	Xunfei Healthcare Technology (Hong Kong) Limited (訊飛醫療科技(香港)有限公司), a limited liability company established in Hong Kong on August 28, 2024, one of our subsidiaries
"Yibin Imaging Union"	Yibin Imaging Union Medical Technology Co., Ltd.* (宜賓影聯雲享醫療科技有限公司), a limited liability company established in the PRC on June 11, 2024, one of our subsidiaries

"Yinchuan Xunfei"	Yinchuan Xunfei Internet Hospital Co., Ltd. (銀川訊飛互聯網醫院有限公司), a limited liability company established in the PRC on March 16, 2022, one of our subsidiaries
"Zhejiang Xunyi"	Zhejiang Xunyi Technology Co., Ltd.* (浙江訊醫科技有限公司), a limited liability company established in the PRC on August 19, 2024, one of our subsidiaries
"Zibo Jizhi"	Zibo Jizhi Equity Investment Fund Partnership (Limited Partnership)* (淄博集智股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on October 21, 2021, one of our Pre-IPO Investors, the details of which are set out in "History, Development and Corporate structure"
"%"	per cent

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

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

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions of such names shall prevail.

** For identification purposes only*

This glossary of technical terms contains explanations of certain terms used in this prospectus in connection with our Group and our business. The meaning of these terms may not necessarily correspond to standard industry meaning or the usage of these terms.

"AI"	artificial intelligence
"AI model(s)"	algorithm(s) that relies on training data to recognize patterns and make predictions or decisions
"algorithm(s)"	a procedure or formula for solving a problem, based on conducting a sequence of specific actions, especially by a computer
"big data"	large and diverse dataset that can reveal concealed patterns, unidentified connections, market tendencies, customer inclinations, and other beneficial information resources under new processing model that enhances decision-making power, insight and processing optimization capabilities
"CAICT"	China Academy of Information and Communication Technology
"CAGR"	compound annual growth rate
"CDSS"	the Clinical Decision Support System
"Central China"	Hubei province, Henan province and Shandong province for purposes of this prospectus
"CTTL"	China Telecommunication Technology Labs
"chronic disease(s)"	refer to non-communicable chronic disease(s) that last one year or more and require ongoing medical attention or limit activities of daily living or both
"Class II hospitals"	secondary hospitals that provide comprehensive medical services to a region under the NHC hospital classification system
"Class III hospitals"	multi-regional hospitals with large capacity that provide high-quality professional medical services and undertake scientific research initiatives under the NHC hospital classification system

"Clinical skills"	a set of knowledge and practices when aim to develop the competences necessary for the proper professional practice
"cloud"	a global system of interconnected servers that is capable of storing, managing data, running applications and delivering various services and enables online access to data and files from any internet-enabled device
"clinical language understanding"	a subset of artificial intelligence's natural language processing that focuses on the machine's ability to comprehend and interpret clinical language in electronic health records and other types of textual documents related to healthcare
"continuity of care"	the process by which the patient and his/her doctor-led care team are cooperatively involved in ongoing health care management toward the shared goal of high-quality, cost-effective medical care
"deep learning"	a class of machine learning algorithms that constructs artificial neural networks to mimic the structure and function of the human brain
"deep neural network(s)"	deep learning architecture that emulates the information processing and distributed communication nodes found in biological systems, utilized to augment data acquisition and analytical capabilities
"DIP"	diagnosis intervention packet, a complete management system established by using the advantages of big data, exploring the common characteristics of "disease diagnosis + treatment mode" to objectively classify the case data, and forming a standardized positioning of each disease and treatment combination in the full-sample case data within a certain area, objectively reflecting the severity of the disease, the complex state of treatment, the level of resource consumption and the norms of clinical behavior, which can be applied to medical insurance payment, fund supervision and hospital management

"DRG"	diagnosis-related group, a case-mix complexity system implemented to categorize patients with similar clinical diagnoses in order to better control hospital costs and determine payor reimbursement rates
"Eastern China"	Anhui province, Jiangsu province, Zhejiang province and Shanghai for purposes of this prospectus
"elderly"	age 65 and above
"EMR(s)"	electronic medical record(s)
"EWARS"	early warning, alert and response
"expected credit loss" or "ECL"	the expected impairment of a loan, lease or other financial asset based on changes in its expected credit loss either over a 12-month period or its lifetime
"FVTPL"	fair value through profit or loss
"Generative artificial intelligence" or "Generative AI"	artificial intelligence capable of generating text, images, synthetic data, or other media, using generative models
"GPT"	generative pre-trained transformer, a type of large language model and a prominent framework for generative artificial intelligence
"GPT-4 Turbo"	an enhanced version of the fourth series of GPT
"HCI"	human-computer interaction
"hospital information system"	a holistic and unified information system designed to manage a hospital's operation, such as patient information, hospital visits, prescriptions, doctors' notes and fee collections
"infectious disease EWARS"	a system offers infectious disease surveillance, early warning, alert and response services
"inpatient"	a patient who is admitted to a hospital or clinic for treatment that requires at least one overnight stay

"knowledge graph(s)"	knowledge base(s) that use(s) a graph structured data model to store and organize information
"large language model(s)" or "LLM(s)"	computerized language model that utilizes an artificial neural network with a multitude of parameters, trained on substantial amounts of unlabeled text through self-supervised or semi-supervised learning techniques
"machine learning"	an application of AI that provides machines the ability to automatically learn and improve from experience without being explicitly programmed
"MDT(s)"	multidisciplinary diagnosis and treatment(s), a collaborative healthcare approach to comprehensively diagnose and treat a patient's condition across various medical disciplines
"medical knowledge graph(s)"	a structured network of interconnected medical data points, including diseases, symptoms, treatments, and related medical entities, designed to facilitate advanced data analysis and decision-making in healthcare
"medical knowledge graph question answering"	a specialized system that leverages a comprehensive knowledge graph in the medical domain to provide precise answers to complex medical queries
"natural language processing" or "NLP"	a computational method where systems amass data during operation, utilizing deep learning models and learning techniques to derive precise interpretations from extensive, unstructured and unlabeled text and voice dataset
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NLU"	natural language understanding, a subset of artificial intelligence's natural language processing that focuses on the machine's ability to comprehend and interpret human language
"NMLE"	National Medical Licensing Examination (國家醫師資格考試), including Clinical Skill test and General Written test. Candidates in China are required to pass the NMLE before practicing medicine

"Northern China"	Beijing, Hebei province, Heilongjiang province, Jilin province, Liaoning province, Shanxi province and Tianjin for purposes of this prospectus
"Northwestern China"	Gansu province, Inner Mongolia, Ningxia Hui autonomous region, Qinghai province, Shaanxi province, Sichuan province, Tibet, and Xinjiang Uygur Autonomous Region for purposes of this prospectus
"outpatient"	a patient who receives medical treatment without being admitted to a hospital, typically visiting for diagnosis, treatment, or rehabilitation
"PACS"	picture archiving and communication system, a medical imaging technology which provides economical storage and convenient access to images from multiple modalities (source machine types)
"PHC"	primary health care, the first point of contact for individuals and families in a continuous healthcare process in any living and working community, encompassing health promotion, disease prevention, disease management and supportive care
"PHC institutions"	basic units in China's healthcare system, providing preventive care and basic medical services to the community, which are supervised by their respective regional healthcare administrators
"public health insurance"	the healthcare insurance scheme run by the PRC government, including urban employee-based health insurance scheme and urban resident-based health insurance schemes
"R&D"	research and development
"radiology information system"	a networked software system for managing medical imagery and associated data, facilitating tracking of patient information, appointments, exam reporting and image tracking within radiology departments in hospitals
"Southern China"	Fujian province, Guangdong province, Hainan province and Jiangxi province for purposes of this prospectus

"Southwestern China"	Guangxi Zhuang autonomous region, Guizhou province, Hunan province, Yunnan province and Chongqing for purposes of this prospectus
"traditional Chinese medicine"	an alternative medical practice drawn from traditional medicine in China
"unsupervised learning"	a paradigm in machine learning where algorithms learn patterns from unlabeled data without human supervision
"VTE"	venous thromboembolism, a condition that occurs when a blood clot forms in a vein

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

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

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

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

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The healthcare AI industry in which we operate is characterized by constant changes. If we fail to continuously improve our technology and provide solutions that address the demand of our customers, our business, financial condition and prospects may be materially and adversely affected.

We operate in the emerging and dynamic healthcare AI market in the PRC. The healthcare AI market is relatively new, and it is uncertain whether it would achieve and sustain high levels of demand, customer acceptance and market adoption. In particular, there is no guarantee that we will be able to continuously develop, commercialize or upgrade our technologies in the fast-evolving market to keep addressing customers' needs. Even if our technologies, including our LLM model, meet the performance benchmarks, they may not be widely accepted by the healthcare AI market, which could be due to various factors, including those out of our control, such as resistance from medical professionals, patient scepticism, preference for traditional healthcare practices or concerns about data privacy, ethical use of AI in healthcare, and the opacity of AI decision-making processes. Other risks and challenges we may face in this emerging and dynamic market include our ability to, among other things:

- navigate an evolving regulatory environment;
- enhance and maintain the value of our brand;
- develop and launch diversified and distinguishable products to effectively address the needs of our users and ecosystem participants;
- grow our customer base and enhance our user engagement in a cost-efficient manner;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;

- maintain our corporate culture and continue to attract, retain and motivate talented employees;

- develop and maintain relationships with our existing business partners and attract new business partners to our ecosystem; and

- defend ourselves against litigation, regulatory interference, claims concerning intellectual property, privacy or other aspects of our business.

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

The emerging and dynamic characteristics of the healthcare AI industry make it difficult to assess our prospects or forecast our future results. In addition, as our business develops and in response to competition and changes in the industry and regulatory environment, we may continue to introduce new products and solutions, improve our existing products or adjust and optimize our business model. There can be no assurance that we may be able to achieve the expected results for any such changes, and our financial condition and results of operations may be materially and adversely affected as a result. If our current or future monetization strategies fail to succeed as we anticipate, we may not be able to maintain or increase our revenue, generate profits or achieve positive operating cash flows, which may materially and adversely affect our business, financial condition and prospects.

We are subject to credit risk related to delay in payment by customers. Any significant delay in payment of our receivables could materially and adversely affect our business, results of operations, liquidity and financial condition.

We are exposed to credit risk related to delay in payment by our customers. Our trade receivables mainly represent the balances due from the local health commissions and hospital customers for our PHC Services and Hospital Services. During the Track Record Period, we decided credit terms with our customers on a project-by-project basis. We grant a credit period of less than 90 days to the majority of our customers following the fulfillment of payment conditions. We may also grant longer credit periods to key customers, such as local health commissions, in line with our strategy to expand market coverage.

Trade receivables are generally settled in accordance with the terms of the respective contracts on a case-by-case basis. As of December 31, 2021, 2022, 2023 and June 30, 2024, our trade receivables net of allowance amounted to RMB162.3 million, RMB273.6 million, RMB498.3 million and RMB560.7 million, respectively, and our provisions for impairment of trade receivables were RMB0.8 million, RMB5.4 million, RMB11.7 million and RMB18.5 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. Our long-term trade receivables amounted to nil, RMB99.8 million, RMB79.2 million and RMB80.7 million for the same periods, respectively. Our overdue balances amounted to RMB64.8 million, RMB159.3 million, RMB324.9 million and RMB452.1 million as of December 31, 2021, 2022, 2023 and June 30, 2024. Our trade receivables turnover days were 160.1 days, 249.9 days, 305.6 days and 450.2 days in 2021, 2022, 2023 and the six months ended June 30, 2024.

We may not be able to collect all such receivables due to a variety of factors that are outside of our control, including long payment cycles of public sector customers, adverse operating conditions or the financial situation of customers, and customers' inability to pay caused by their end-users' delay in payment. Specifically, our regional healthcare administrator customers are in the public sector and typically have long payment cycles as required by their internal financial management and payment approval processes. In addition, there was a temporary slowdown in procurement and contract finalization of regional healthcare administrators, the process of which was affected by government policies aimed at enhancing government procurement processes and management of medical insurance funds since late 2022, according to Frost & Sullivan. Furthermore, the negative impact of the COVID-19 pandemic affected the budget and liquidity of our regional healthcare administrator customers. An increase in trade receivables may lead to liquidity risk, as we may have less cash available to fund our operations, invest in research and development, or pursue strategic opportunities, which could, in turn, impact our ability to maintain our competitive position. An increase in trade receivables turnover days may necessitate an increase in our provisions for impairment of trade receivables, which would directly affect our profitability. Furthermore, the market may perceive an increase in our trade receivable and turnover days as an indication of potential liquidity issues or declining creditworthiness among our customer base, which could adversely affect our business.

We cannot guarantee the recoverability or predict the movement of our receivables. If we fail to receive payments from our customers on a timely basis, our business, liquidity and financial condition could be materially and adversely affected. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Current Assets and Liabilities — Trade and Other Receivables"; and "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Non-current Assets and Liabilities — Long-term Trade Receivables."

The healthcare AI industry in the PRC is subject to extensive and evolving regulatory requirements. Non-compliance with the requirements or changes in the requirements may materially and adversely affect our business and prospects. Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse effect on our business, financial condition and prospects.

The AI industry in China is evolving and we may experience a strengthened regulatory environment along with rapid industry evolution. Our business may be subject to extensive regulation governing the industry. Government authorities in the PRC may continue to issue new laws, rules and regulations governing the industry in which we operate in the PRC. See "Regulatory Overview — Regulations on Internet Information Security and Privacy Protection."

In addition, the government authorities have imposed, and may continue to impose, requirements relating to, among other things, new and additional licenses, permits and approvals on us, which we may not be able to obtain, maintain or comply with. Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, the NHC, the CFDA, the

SAIC, the Cyberspace Administration of China and the corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as provision of Internet information, online medical services, retail, sales and online operation of pharmaceutical products and medical devices, algorithm services, AI and LLM-related services, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses and permits for, the relevant business activities. See "Regulatory Overview." As confirmed by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, we have duly obtained and maintained all material licenses, permits and certificates required by laws and regulations applicable to the operation of our principal business. However, we cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any future laws, regulations and policies, or any of the laws, regulations and policies currently in effect due to changes in the relevant authorities' interpretation of these laws, regulations and policies. If we fail to complete, obtain or maintain any of the required licenses, certificates or approvals or make the necessary filings in any of the jurisdictions where we operate our business, we may be subject to various penalties, such as confiscation of the revenue that was generated through the unlicensed activities, imposition of fines and discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Any loss or deterioration in our relationships with our customers may materially and adversely affect our business, financial condition and prospects. If we are unable to attract new customers to purchase our offerings or retain existing customers, our business, financial condition and prospects could be materially and adversely affected.

Our business, to a large extent, relies on our relationships with our customers such as regional healthcare administrators and hospitals. Our ability to retain existing customers and attract new customers, as well as increase the spending by our customers, depends on a number of factors, including our ability to offer more intelligent solutions that address the needs of our customers at competitive prices, the strength of our technologies and the effectiveness of our sales and marketing efforts. If we fail to capture recurring or new demand from these customers, we may not be able to increase our revenue as quickly as we anticipate, or at all. There can be no assurance that we would be able to maintain stable relationships with such customers. We may fail to provide users with solutions that meet their specific demand, and we may fail to provide customer support to the level expected by our users. Such failures could result in user dissatisfaction, decreased overall demand for our solutions and loss of expected revenue. In addition, our inability to meet customer service expectations may damage our reputation and could consequently limit our ability to retain existing customers and attract new customers, which would materially and adversely affect our business, financial condition and prospects. In addition, our relationship with such customers may be materially and adversely affected by factors out of our control, including:

- an overall decline in the business or liquidity position of one or more of our major customers, especially customers of our PHC Institution Services and Hospital Services;
- the failure or inability of any of our major customers to make timely payment for our services;
- changes in fiscal or procurement procedures or decreases in available government funding;
- changes in policy or priorities and resultant funding;
- appeals, disputes, or litigation relating to procurement, including, but not limited to, bid protests by unsuccessful bidders on potential or actual awards of contracts to us or our partners by the government;
- additional selection processes administered by the intermediaries engaged;
- the adoption of new laws or regulations or changes to existing laws or regulations;
- budgetary cycles and constraints, including constraints imposed by any lapses in appropriations for the regional healthcare administrators or certain of their departments and agencies;
- influence by, or competition from, third parties with respect to pending, new, or existing contracts;
- non-compliance with laws on the part of any major customers or breach of contract by any major customers vis-à-vis their business partners; or
- unlawful, improper or otherwise inappropriate activities by any major customers that could harm their business, brand and reputation, or subject them to government investigations.

If we fail to maintain relationships with our customers, and if we are unable to find replacement customers on commercially desirable terms or in a timely manner or at all, our business, financial condition and prospects may be materially and adversely affected.

Any actual or perceived misuse of AI technologies by us or by other third parties, intentionally or inadvertently, could materially and adversely affect our business, financial condition and prospects.

Any misuse, abuse, or premature application of AI technologies, whether real or perceived, intentional or unintentional, by us or third parties, could deter potential users from embracing AI solutions, which could further impair societal acceptance of AI solutions, generate negative publicity, and negatively impact our reputation. It could also potentially breach laws and regulations in China and other jurisdictions, leading to legal or administrative proceedings, pressures from activist groups or other organizations, and increased regulatory scrutiny. Each of these events could, in turn, have a significant negative impact on our business, financial condition and prospects.

Failure to further upgrade, iterate, launch or commercialize our products and services or inability to gain market acceptance may have a negative impact on our business, financial condition and prospects.

We cannot ensure that our products or services will successfully transition from the research and development phase to commercial viability. The commercialization process is complex and burdened with challenges, including, but not limited to, regulatory compliance and market receptivity. These challenges are further intensified by the complexities inherent in AI technology. Failure to effectively navigate these challenges could result in our inability to commercialize our products and services, which could have a negative impact on our business, financial condition and prospects.

Moreover, our industry is intensely competitive, characterized by rapid technological advancements and shifting customer preferences. If our products and services fail to continuously meet market demand, or if they are outperformed by competing solutions, it could lead to limited market penetration and sales that fall short of expectations, which may further adversely affect our business, financial condition and prospects.

We have recorded net losses and operating cash outflow during the Track Record Period. We may not be able to achieve or subsequently maintain profitability in the future.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we recorded net losses of RMB89.4 million, RMB208.6 million, RMB154.2 million, RMB106.0 million and RMB133.7 million, respectively. In addition, we have recorded net cash used in operating activities of RMB52.7 million, RMB113.9 million, RMB314.3 million, RMB126.2 million and RMB134.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. We believe that our future abilities to achieve profitability and generate positive operating cashflow will depend on our ability to: (i) continuously optimize and enrich our solution matrix, and enhance product quality, features and functions to improve product competitiveness; (ii) effectively manage our expenses to improve our profitability; (iii) efficiently expand coverage and customer reach; and (iv) enhance operational efficiency and economies of scale. See “Business — Business Sustainability.”

Furthermore, our capacity to secure additional capital in the future is subject to uncertainties, which include factors related to our future business growth, financial condition, results of operations, general market conditions for financing activities within our industry, and macro-economic conditions both in China and globally. For example, recent government policies have called for a heightened scrutiny on fund expenditure at the county level, which prompted the government entities to adopt a more stringent procurement process for high-value contracts and resulted in a deceleration in the procurement and contract finalization process since the end of 2022 to early 2024. If we fail to procure adequate capital to satisfy our financial needs, our ability to implement our growth strategies could be compromised, and our business, financial condition and prospects could be materially and negatively impacted. As we continue to expand our business and operations, we anticipate a significant increase in our costs and expenses in the forthcoming periods. In addition, transitioning to becoming a public company is expected to incur substantial costs and expenses. If we fail to generate sufficient revenues and effectively manage our costs and expenses, we may continue to experience significant losses in the future, which could result in an increase in our net losses compared to previous years, and we may not be able to achieve or maintain profitability.

We recognized a certain scale of goodwill and intangible assets during the Track Record Period. If we determine our goodwill and/or intangible assets to be impaired, it would adversely affect our financial condition.

Our goodwill amounted to RMB23.8 million, RMB23.8 million, RMB23.8 million and RMB23.8 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, which mainly relates to our acquisition of Imaging Union in 2021. Goodwill is tested for impairment annually or more frequently when there is an indication of potential impairment. We recorded other intangible assets of RMB205.5 million, RMB166.0 million, RMB158.3 million and RMB156.5 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, which mainly represented our imaging platform, intellectual properties and development costs. Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the assets have suffered an impairment loss. We did not recognize impairment losses in respect of goodwill or intangible assets during the Track Record Period. For details of the impairment assessment methods for our intangible assets and goodwill, see Note 4 to the Accountants' Report in Appendix I to this prospectus.

In evaluating the potential for impairment of goodwill, our management makes a number of assumptions, such as the continuity of the acquired businesses, their future operating performance, business trends, and market and economic conditions. This requires us to make subjective assumptions, and there are inherent uncertainties relating to this analysis and our management's judgment in assessing the recoverability of the goodwill. If any of the assumptions does not materialize, or if the performance of the acquired business is not consistent with such assumptions, we may be required to write-off part or all of our goodwill and record an impairment loss. On the other hand, adverse changes in the future may result in decreases in the value of our intangible assets, which in turn would result in an impairment loss. We also make certain assumptions when assessing the value of our intangible assets, including assumptions on their useful life. There are inherent uncertainties relating to these assumptions. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to re-value our intangible assets, which may in turn result in impairment losses. Any significant impairment of goodwill or intangible assets could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges would negatively affect our financial ratios which may limit our ability to obtain external financings.

We generate revenue from projects of relevant local health commissions and public hospitals by public tender. However, the success of our tender process is subject to uncertainty as the requirements and criteria of tender vary from project to project.

The process of public tender, while a common practice in our industry, introduces a degree of uncertainty into our business model. Each tender process is unique, with distinct requirements and criteria that can vary significantly from one project to another. The variability necessitates a tailored approach for each tender, requiring a considerable investment of time, effort and resources to understand the specific needs of each project and prepare a bid proposal that aligns with those needs. The inherently unpredictable and subjective nature of the tender process means there can be no assurance of our tenders being successful. Each tender we submit enters a competitive field, often against numerous other competitors who may have different strengths or strategies. The final decision often lies in the hands of the customer, which may base its decision on a multitude of factors, some of which may be beyond our control or prediction.

Unsuccessful tenders represent not only lost business opportunities but also signify resources expended in the tender process that did not yield a return. These resources include the time and effort of our team in preparing and submitting the tender, the cost of any preliminary work carried out in anticipation of a successful outcome of the tender, and the opportunity cost of not pursuing other potential projects. Over time, a high rate of unsuccessful tenders could strain our resources, impact our market position, and potentially affect our ability to achieve our growth objectives.

We cannot assure you our business strategies are able to achieve the results we expect.

Our success relies on the effective implementation of our business strategies, which encompass the development and deployment of AI technologies in the healthcare sector. These strategies may not yield the expected outcomes, which could stem from a variety of factors including technological challenges, market dynamics and evolving customer needs. The healthcare AI industry is characterized by rapid technological advancements and changing market conditions. Our business strategies may become outdated or less effective in such a fast-paced environment. The inability to adapt quickly to new technologies or shifts in the healthcare landscape can hinder our progress and competitiveness. Our business strategies are based on certain assumptions and projections about the healthcare AI market, regulatory environment, and technological developments. If these assumptions prove inaccurate or if unforeseen events disrupt our projections, our strategic initiatives may fall short of their goals.

Failure to achieve the anticipated results from our business strategies could lead to a misallocation of resources, reduced revenue, and a loss of investor confidence. Such outcomes could materially and adversely affect our market position and long-term financial stability.

If the market for our products and services fails to grow as we expect, or if our users or potential users fail to adopt our products and services, our business, financial condition and results of operations could be materially and adversely affected.

It is difficult to predict user adoption rates and demand for healthcare and AI-related products and services, the entry of competitive solutions, or the future growth rate and size of the healthcare AI industry. The market for healthcare AI products and services will continue to evolve. We cannot be sure that demand in the healthcare AI industry in China will continue to grow or, even if it does grow, that we will continue seizing the potential advantages in the market successfully. Our future success will depend in large part on our ability to further penetrate the markets where we operate. Our ability to further penetrate such markets depends on a number of factors, including the cost, performance and perceived value associated with our healthcare and AI solutions, as well as users' willingness to adopt our products and services. We cannot be sure that the considerable resources we have spent to educate potential users about healthcare and AI in general and our solutions in particular will help our solutions achieve any additional market acceptance. Furthermore, potential users may be unwilling to invest in novel solutions. If the market fails to grow or grows more slowly than we expect or potential customers fail to adopt our healthcare and AI solutions, our business, financial condition and results of operations could be materially and adversely affected.

Our historical results of operations and financial performance are not indicative of future performance.

We were established in 2016. Our revenue increased by 26.7% from RMB372.5 million in 2021 to RMB471.9 million in 2022, by 17.9% to RMB556.1 million in 2023, and further by 17.8% from RMB194.5 million in the six months ended June 30, 2023 to RMB229.2 million in the six months ended June 30, 2024. Our historical results and growth may not be indicative of our future performance. Consequently, there can be no assurance that we would be able to achieve revenue growth in the future. Our ability to achieve revenue growth is affected by a variety of factors, many of which are beyond our control, and our results of operations may vary from period to period in response.

We closely work with business partners. Misconduct, non-compliance and omissions by them could harm our business and reputation. Any failure of our business partners to perform their responsibilities may also have a material and adverse impact on our business, financial condition and prospects. Our business and results of operations may also be harmed by disruption or failure in our or our business partners' systems or the technology infrastructure.

We collaborate in our operations with business partners, which include our customers, suppliers and shareholders and their respective associates. Misconduct, non-compliance and omissions by such business partners could subject us to liability or negative publicity. We cannot be certain whether such business partners have infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by our business partners. We cannot assure you that we will be able to identify irregularities or non-compliances in such business interactions.

In addition, any failure of our business partners to perform their responsibilities may have a material negative impact on our business, financial condition and prospects. For example, we may experience operational difficulties with our business partners, including reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control and failures to meet deployment schedules. Our business partners may experience disruptions in their operations due to equipment breakdowns, labor strikes or shortages, natural disasters, material shortages, cost increases, environmental non-compliance issues or other similar problems. In addition, we may not be able to renew contracts with our business partners or identify substitute partners. Furthermore, we may remain responsible to the customer for warranty service in certain events on top of the arrangements with our business partners that may contain provisions for warranty expense reimbursement. There is a risk that we may face legal action due to product liability claims if defects are found in our products, even if these defects are caused by our business partners. In such cases, our business partners may not have the financial capacity or legal obligation to indemnify us. This could leave us solely responsible for any damages, legal fees, and other costs associated with such claims. This potential lack of indemnification could result in significant financial strain and could negatively impact our reputation, business and overall financial condition.

Moreover, we may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, computer viruses, fraud and security attacks, such as the recent global IT system outage incident occurred due to a software update in July 2024. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure. Any disruption or failure in our or our business partners' system or the technology infrastructure could hinder our ability to deliver solutions and services and the day-to-day management of our business, and could result in corruption, loss or unauthorized disclosure of proprietary, confidential or other data, which in turn may harm our reputation and business, entail claims and liabilities and deter prospective customers.

If we are unable to effectively cooperate with these other parties for R&D collaboration, or if the relevant services or authorizations are suspended or terminated, our business, financial condition and prospects may be materially and adversely affected.

Our research and development efforts heavily rely on collaborations with various stakeholders in the healthcare industry, including medical knowledge publishers, hospitals, institutions, health commissions, and universities. These collaborations are integral to our ability to continuously sustain our competitive edges in technology capabilities and launch products and services to meet demand in the healthcare AI industry. However, if we are unable to effectively collaborate with these parties, or if related services or authorizations are suspended or terminated, our research and development progress could be significantly hindered. This could materially and adversely affect our business, financial condition and prospects.

We may not benefit from our substantial investments in research and development, which, in turn, could materially and adversely impact our financial condition and prospects.

Our long-term competitiveness depends on our ability to enhance our existing services and solutions and to develop and commercialize new products. We intend to continue investing in our research and development capabilities to support the organic growth of our solutions matrix. The research and development process of our solutions and medical hardware products is time-consuming and costly, and there can be no assurance that our research and development activities will lead to successfully developed new solutions and products. Our research and development expenses amounted to RMB159.8 million, RMB241.6 million, RMB264.0 million, RMB127.0 million and RMB135.3 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, and accounted for 42.9%, 51.2%, 47.5%, 65.3% and 59.0% of our revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The industry in which we operate is subject to rapid technological shifts and evolves quickly with regard to technological innovation. It necessitates substantial investment, including financial resources, in research and development to spearhead technological advancement. This is crucial to ensure that our solutions remain competitive in the market. As a result, we expect that our research and development expenses will continue to increase in absolute amount.

We have incurred losses in the past and may not be able to achieve or subsequently maintain profitability, partially due to the significant investment in research and development. Our current capital resources may not be adequate to allow us to complete all of our planned research and development for the expected indications, nor to invest in additional product development programs. If our financial resources are insufficient to support our R&D activities, we may be unable to keep pace with technological advancements or meet the changing needs of our customers, which could delay the launch of new products and solutions, giving our competitors an opportunity to gain a larger market share and further eroding our competitive position in the market, leading to a loss of market share, decreased revenues and reduced profitability. Accordingly, we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. However, the inherent uncertainty of research and development activities may lead to potential challenges in the commercialization of our findings. The substantial investments we make in research and development may not necessarily yield equivalent returns. Given the rapid evolution of technology, we may face challenges in updating our technologies in a cost-effective and timely manner. The advent of new technologies within our industry could potentially render our existing technologies, technological infrastructure, or anticipated future solutions obsolete or less attractive. This could hinder our ability to recoup related research and development costs, potentially leading to a decline in our revenues, profitability and market share.

The technologies we use may contain undetected errors, which could result in customer dissatisfaction, damage to our reputation and loss of customers.

We aim to make our operations and our solutions more streamlined, automated and cost-effective by using advanced technologies, including AI, cloud and big data, and the application of these technologies in our solutions is still under development. We may encounter technical obstacles, and we may discover problems that prevent our technologies from operating properly, which could materially and adversely affect our information infrastructure and other aspects of our business where our technologies are applied. If our solutions do not function reliably or fail to achieve our customers' or their end-customers' expectations in terms of performance, we may lose existing customers or fail to attract new ones, which may damage our reputation as well as materially and adversely affect our business.

Material performance problems, defects or errors in our existing or new software, applications and solutions may arise and may result from the interface between our solutions and systems and data that we did not develop, the function of which is beyond our control, or defects and errors that were undetected in our testing. These types of defects and errors, and any failure by us to identify and address them, could result in a loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from utilizing our solutions. Correcting these types of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse impact on our business, financial condition and prospects.

If defects are found in our products or services, we may face product liability claims.

In our industry, products and services like ours can often have undetected errors, defects, security vulnerabilities, or software issues, especially when they are newly launched or updated. Serious errors or defects may remain in our products and services after our rigorous internal testing. If we fail to rectify these in a timely manner, we could experience revenue loss, significant capital expenditure, market acceptance delay or loss and damage to our reputation. Addressing these defects could lead to substantial costs, potentially damaging our reputation, reducing our market share, and negatively impacting our financial status and operational results. All these factors could materially and adversely affect our reputation, business, financial condition and prospects.

Our products and services are often integral to our customers' business processes. Therefore, any error, defect, security vulnerability, service interruption, or software issue could lead to losses for our customers. They may demand substantial compensation for their losses or stop doing business with us entirely. Negative customer experiences shared on social media could further damage our reputation and lead to a decrease in future sales. We cannot guarantee that the limitations on our liability, typically included in our customer agreements, will be enforceable, sufficient, or protect us from liabilities or damages related to any specific claim. Even if a claim against us is unsuccessful, it would likely be expensive and time-consuming to defend, and could significantly harm our reputation and brand, making it more difficult for us to sell our products and services.

We may not be able to prevent unauthorized use of our intellectual property, which may be expensive and time-consuming to defend and may disrupt our business and operations.

We rely on a combination of copyright, trademark, patent and other intellectual property laws, trade secret protection and confidentiality and invention assignment agreements with our employees and third parties and other measures to protect our intellectual property rights. We have been enriching our intellectual property portfolio. However, there can be no assurance that any of our pending patents, trademarks, software copyrights or other intellectual property applications will be registered. We cannot control the use of intellectual property by co-owners of intellectual property and the potential risks it brings. Any intellectual property rights we have obtained or may obtain in the future may not be sufficient to provide us with a competitive advantage, and could be challenged, invalidated, circumvented, infringed or misappropriated.

Unauthorized parties may attempt to copy or otherwise obtain and use our copyrighted information and other intellectual property. Monitoring for infringement or other unauthorized use of our intellectual property rights is difficult and costly, and such monitoring may not be effective. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. There can be no assurance that we would prevail in such litigation, and even if we manage to prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse impact on our business, financial condition and prospects.

If we fail to fulfill our obligations under our contracts with customers, our financial condition may be materially and adversely affected.

As of December 31, 2021, 2022, 2023 and June 30, 2024, we had contract liabilities of RMB49.9 million, RMB27.4 million, RMB39.7 million and RMB26.6 million, respectively, which primarily represent advance payments received from our customers upon which the performance obligations have been established while the underlying services are yet to be provided by us. See Note 32 to the Accountant's Report in Appendix I to this prospectus.

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

Our end-users, including doctors, medical professionals and patients, are responsible for providing information when using our products and services. Human error, unintentionally or intentionally, in this process may compromise the performance of our products and services.

Our end-users, including doctors, medical professionals and patients, are responsible for providing information when using our products and services. For example, our General Practice CDSS relies on EMRs filled by doctors to provide diagnostic suggestions. Such practice is inherently subject to human error. The situation is further complicated by the fact that multiple medical natural language expressions may be used by different physicians in clinical records to convey the same idea, leading to risks of mistranslation or inaccurate categorization when we perform the natural language processing. Any such mistakes or errors could compromise the performance of our products and services, which could lead to liabilities against us, deter prospective customers and harm our reputation, business and financial condition.

Failure to comply with or adapt to changes in laws in relation to data protection could materially and adversely harm our business.

The access, collection, use, storage, sharing, transfer, disclosure and security of data are highly regulated in China. Any failure or perceived failure to comply with these laws, regulations or policies may result in inquiries and other proceedings or actions against us by government authorities or others, as well as negative publicity and damage to our reputation and brand, each of which could cause us to lose customers. For example, on December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which, the purchase of network products and services by a critical information infrastructure operator (the "CIIO") or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review. However, there has been no further explanation or interpretation for "foreign listing" or "affect or may affect national security" under the aforementioned regulation. In addition, the revised Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. Therefore, we cannot rule out the possibility that the relevant government authorities may conduct cybersecurity review on us accordingly. If a cybersecurity review for any of our activities is required, we will actively cooperate with the CAC to conduct such cybersecurity review. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

On September 30, 2024, the Administration Regulations on Cyber Data Security (《網絡數據安全管理條例》) (the "Data Security Regulations") was published by the State Council, which will come into effect on January 1, 2025. The Data Security Regulations reiterate and refine the general regulations for cyber data processing activities and rules of personal information protection, important data security protection, cyber data cross-border transfer security management, and the responsibilities of online platform service providers. In particular, the Data Security Regulations provide that cyber data processors whose cyber data processing activities affect or may affect national security shall be subject to national security review in accordance with the relevant regulations. However, the Data Security Regulations provide no further explanation or interpretation for the criteria on determining the risks that "affect or may affect national security." Also, since the Data Security Regulations are still relatively new, the interpretation and implementation of these regulations may further evolve and develop.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "Security Assessment Measures"), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding a certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border transfer of important data or large amounts of personal data during our daily business operations that may warrant a security assessment by regulatory authorities. However, we cannot assure you that relevant regulatory authorities will take the same view. In the event that the regulatory authorities deem certain of our activities to constitute cross-border data transfers, we will be subject to the relevant requirements. To the extent new laws and regulations are enacted or promulgated, or new interpretations and applications of existing privacy and data protection laws or regulations are adopted, our access to and use of certain data could be further restricted, and we may be required to implement new or enhanced security measures. As a result, we maybe subject to additional filing, assessment or corporate governance requirements, which may be costly and time-consuming. Failure to meet such requirements may lead to consequences such as discontinuation of our products, penalties, liabilities or negative publicity. Any additional enactment or promulgation of such laws or regulations may, among other things, substantially escalate our compliance costs.

Compliance with the rapidly evolving landscape of cybersecurity, data privacy and security and algorithm-related laws may also be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of personal data, could damage our reputation and deter current and potential users from using our services.

For our offerings directly provided to individual users, we collect healthcare data and other personal data, such as user name, cell phone number and activity log, on a need-to-know basis necessary for the provision of our services, and such data is stored on our systems.

Our services to organizational customers, including PHC institutions, hospitals and healthcare administrators, allow these customers to collect data for the delivery of their services. In the majority of cases, data collected by these organizational customers is saved on their own systems or their designated systems. In instances where such customers lack the requisite systems for data storage, we offer the option for them to store data on our systems. User data collected and generated in the course of our business operations in mainland China is only stored in mainland China, and our daily business operations do not involve any cross-border transmission of identified core data, important data or large amounts of personal information.

We face risks inherent in handling certain types of data and in securing and protecting such data. In particular, we face a number of data-related challenges in our business operations, including:

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

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

The landscape of cybersecurity and data privacy and security laws is constantly evolving. For example, on November 7, 2016, the Standing Committee of the PRC National People's Congress (the "SCNPC") promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), effective on June 1, 2017, which requires network operators to safeguard security of the network and follow the principles of legitimacy in collecting and using personal information. On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), effective on September 1, 2021, which imposes data security and privacy protection obligations on entities and individuals which carry out data activities, and introduces a data classification and hierarchical protection system. On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law (《個人信息保護法》), effective on 1 November 2021, which further detailed the general rules and principles on personal data processing and further increased the potential liability of personal data processors. See "Regulatory Overview — Regulations on Internet Information Security and Privacy Protection." Complying with new laws and regulations could substantially increase the costs or require us to change our business practices in a manner materially adverse to our business. Additionally, to the extent we are found by the PRC regulators to be not in compliance with these laws and requirements, we may be subject to fines, regulatory orders to suspend our operations or other regulatory and disciplinary sanctions, and our mobile App may be removed from App stores and be ordered to stop taking on new users.

Regulators have issued regulations related to AI services and algorithmic services such as the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), the Administrative Provisions on Deep Synthesis of Internet Information Services (《互聯網信息服務深度合成管理規定》), and the Administrative Measures for Generative Artificial Intelligence Services (《生成式人工智能服務管理暫行辦法》). The above provisions impose algorithm filing and security assessment requirements for specific services, and there still remain uncertainties as to whether the aforementioned algorithm filing and security assessment requirements are applicable to us.

Any failure to comply with such filing or assessment requirements (to the extent that the relevant regulators deem that such regulatory procedures apply to us) or any other non-compliance or perceived noncompliance with the above provisions may subject us to penalties and liabilities, including, among others, warnings, public denouncement, fines, rectification orders, suspension of the provision of relevant services, and even criminal liabilities. In addition, based on current regulatory practice and a notice issued by the CAC in April 2024, any provider of generative AI services with public sentiment attributes or social mobilizing capability within the territory of the PRC is required to complete a certain filing procedure with the CAC. That said, such filing requirement has not been expressly defined in relevant laws and regulations effective as of the Latest Practicable Date. It remains to be further clarified as to the applicable scenarios and specific guidelines for such filing requirement. If the relevant regulatory authorities in the PRC consider that our LLM model fails to comply with the requirements of the relevant regulatory procedures, we may be required, among others, to make further rectification and suspend the provision of LLM model-related services.

Further, on September 7, 2023, the Ministry of Science and Technology (the "MST"), together with other relevant authorities, promulgated the Measures for Ethical Review of Science and Technology (for Trial Implementation) (《科技倫理審查辦法（試行）》) (the "Measures"), which took effect on December 1, 2023. Given that the Ethical Review Measures are relatively new, there remain uncertainties as to the interpretation and application thereof. The interpretation and implementation of the Measures may affect our business operations as there still remain uncertainties as to whether certain specific requirements of the Measures are applicable to us.

Additionally, the Measures also stipulate the requirement of expert review for a list of scientific and technological activities (the "Managed List"). Service providers are required to report activities subject to the Managed List and conduct an organized expert review. According to the specification of the Managed List, such scientific and technological activities include, but are not limited to: (i) research and development of algorithms, models, applications and systems with the capability to influence public opinion and shape social consciousness; and (ii) research and development of automated decision-making systems with a high degree of autonomy for scenarios where there are risks to safety and personal health. However, given that the Measures have been recently issued, their interpretation and application are still to be further clarified in regulatory practice. It is currently unclear whether the development activities of our Xunfei Spark Medical Model need to undergo such an expert review. Should subsequent regulation deem that our scientific activities require such a review, we will promptly fulfill the corresponding obligations. Any failure to comply with the provisions of the Measures could subject us to significant penalties, civil liabilities and negative publicity.

The relevant regulatory authorities in China continue to monitor the websites, Apps and other network products or services in relation to the protection of personal data, healthcare data, privacy and information security, and may impose additional requirements from time to time. The relevant regulatory authorities also release, from time to time, their monitoring results and require relevant enterprises listed in such notices to rectify their non-compliance. There are uncertainties as to the interpretation and application of laws, and such may conflict with our current policies and practices or require changes to the features of our system. If we are unable to address any information protection concerns, address any compromise of security that results in the unauthorized disclosure or transfer of personal data, or comply with the then applicable laws and regulations, we may incur additional costs and liability, which may result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our users and customers to lose trust in us, which could have a material adverse effect on our business, financial condition and prospects. We may also be subject to new laws, regulations or standards or new interpretations of existing laws, regulations or standards, including those in the areas of data security and data privacy, which could require us to incur additional costs and restrict our business operations.

If we are unable to compete effectively, our business, financial condition and prospects may be materially and adversely affected.

While the PRC healthcare AI market is in an early stage of development, it is, and is expected to be, increasingly competitive. We currently face and may face more intense competition in the PRC healthcare AI industry from other companies. Our competitors may have better financial, technological or marketing resources, greater brand recognition, better supplier relationships, or have the capacity to expand large customer bases more quickly than we do. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements than us and may have the ability to initiate or withstand significant regulatory changes and industry evolvement. Competition from our competitors may also result in continued pricing pressures, which may lead to price reductions in certain of our product or service lines, and may, in turn, materially and adversely affect our profitability and market share.

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

We are subject to risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected.

Our operations may be negatively affected by any deterioration in the political and economic relations among countries. For example, we may be materially and adversely affected by sanctions and export controls, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs, and political instability. Furthermore, concerns over inflation, energy costs, geopolitical frictions, capital market volatility and liquidity issues may create difficult operating conditions in the future. Sales of our products and services in certain countries and sales of products that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations. For example, the U.S. government imposed economic sanctions and trade restrictions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretations and enforcements involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are outside of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect us and our key suppliers' and customers' abilities to obtain technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations. In addition, the restrictions may also subject us to regulatory investigations, fines, penalties or other actions and reputational harm.

Effective October 9, 2019, the U.S. Department of Commerce, Bureau of Industry and Security (the "BIS") added "iFLYTEK" to the Entity List (the "Entity List Designation"). See "Regulatory Overview — U.S. Export Control Laws and Regulations." To address the EAR-related risks after the Entity List Designation, we have put in place a series of export control compliance measures. See "Business — U.S. Export Control Implications." However, there can be no assurance that our export control compliance measures or program could be strictly followed and implemented, or that the implementation of such export control compliance measures or program would be sufficient for us to address concerns under the EAR. Our relationships with suppliers may evolve in the future, and there can be no assurance that we will maintain our access to all items that are necessary to our business. Furthermore, as technologies continue to advance, third parties may offer new technologies or products that could enhance our healthcare AI technologies or relevant products and services. To the extent that such new technologies or products are subject to the EAR, the Designated Entity would not be able to access them if it remains on the Entity List. There can be no assurance that we would be able to identify alternative supply chain arrangements to access similar technologies or products of the same quality at similar cost, and we may encounter increased supplier scrutiny due to the Entity List Designation. As such, if the Designated Entity remains on the Entity List on a prolonged basis, we may not be able to compete effectively in certain business lines, and our business, financial condition and prospects could be materially and adversely affected. In addition, though we are not designated by the BIS on the Entity List by reason of the Entity List Designation of the Designated Entity, if we were separately designated by the BIS on the Entity List, our ability to purchase or otherwise access certain goods, software and technology that are subject to the EAR may be restricted without a license from the BIS, and our business, financial condition and prospects could be materially and adversely affected.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, adverse weather conditions or natural disasters, such as snowstorms, earthquakes, fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere in the world could materially disrupt our business and operations. These events could also significantly impact the industry we operate in and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse impact on our business, financial condition and prospects.

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

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, negative publicity about us, our services and operations, our management or our business partners may materially and adversely affect our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

If our suppliers stop granting us favorable credit terms or shorten the credit terms granted to us, our liquidity condition may be materially and adversely affected.

We experienced an increase in our accounts payables and turnover days during the Track Record Period. As of December 31, 2021, 2022, 2023 and June 30, 2024, our accounts payables, including bill, trade and other payables, amounted to RMB195.0 million, RMB318.8 million, RMB379.7 million and RMB380.0 million, respectively, representing approximately 38.3%, 51.5%, 56.6% and 48.0% of our total current liabilities, respectively. Our trade and bill payables turnover days increased from 167.9 days in 2021 to 243.3 days in 2022, increased to 372.2 days in 2023 and further increased to 494.3 days in June 30, 2024, primarily due to: (i) our stable and amicable business relationships with suppliers and good credit history in the ordinary course of business; and (ii) the terms of payment of certain trade and bill payables not being met. We cannot assure you that we will continue to successfully negotiate and obtain favorable credit terms from our suppliers, as the credit terms granted by suppliers may be influenced by a number of factors that are beyond our control, such as the financial performance and position of our suppliers, raw material prices and general economic conditions. In addition, there is no guarantee that we can maintain our amicable business relationships with our suppliers in the future or be able to settle payments beyond the prescribed credit terms. If our suppliers shorten the credit period granted to us or if we cannot settle beyond the prescribed credit terms, our liquidity condition may be materially and adversely affected.

Discontinuation of any of the preferential tax treatments and government grants or imposition of any additional taxes and surcharges could materially and adversely affect our financial condition and prospects.

A number of our PRC subsidiaries enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries recognized as high and new technology enterprises are subject to a reduced EIT rate of 15%. Such preferential tax treatments are subject to change and termination. If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our results of operations. See "Financial Information — Description of Major Components of our Results of Operations — Income Tax Credit."

In addition, the government grants we recognized were RMB14.7 million, RMB31.1 million, RMB17.8 million, RMB7.2 million and RMB1.5 million in 2021, 2022, 2023 and June 30, 2023 and 2024, respectively, representing 3.9%, 6.6%, 3.2%, 3.7% and 0.7% of our total revenue, respectively, during the same periods. The grants received from the PRC local government authorities are unconditional subsidies mainly to incentivize our research and development activities and financing activities. Local governments may decide to change or discontinue such financial subsidies at any time. The discontinuation of such financial subsidies or imposition of any additional taxes could materially and adversely affect our financial condition and prospects.

We are subject to anti-corruption laws and regulations, and failure by us or third parties we engage with to comply with such laws and regulations could severely damage our reputation, and materially and adversely affect our business, financial condition and prospects.

We are subject to anti-corruption laws and regulations in the PRC and other jurisdictions where we operate. We have also adopted anti-corruption policies and procedures. However, our policies and procedures may not be followed at all times or effectively detect and prevent all violations by our employees, and our efforts may not be sufficient to ensure that our employees will comply with our policies, procedures, relevant laws and regulations at all times. In addition, we also engage with various third parties such as suppliers, distributors and partners in different jurisdictions. These third parties are also expected to adhere to our anti-corruption policies and the relevant laws and regulations in their respective jurisdictions. However, there is a risk that they may engage in activities that could be construed as corrupt practices against our due diligence and contractual obligations imposed on these third parties. If we, our employees, or third parties we engage with, violate these laws, rules or regulations, we could be subject to fines and/or other penalties and our reputation, corporate image and business operations may be materially and adversely affected.

Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image and business operations may be materially and adversely affected if there is any non-compliance with anti-corruption laws and regulations that could subject us to adverse media coverage, investigations, severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, which may in turn have a material adverse impact on our business, financial condition and prospects.

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

We may require cash resources to finance our continued growth or other future developments, such as any marketing initiatives or investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of the actions, investments in acquisitions, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing. To the extent that we raise additional financing by issuance of additional equity securities, our Shareholders may experience dilution. To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among other things, restrict our operational flexibility or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial condition may be materially and adversely affected.

Our ability to obtain additional capital on commercially acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from financial institutions, receipt of necessary PRC government approvals, investors' confidence in us, the performance of the healthcare service industry in general, and our operating and financial performance in particular. There can be no assurance that future financing will be available in amounts or on terms commercially acceptable to us, if at all. In the event that financing is not available or is not available on terms commercially acceptable to us, our business, financial condition and prospects may be materially and adversely affected.

We may be unable to identify or execute expansion opportunities, which may materially and adversely affect our business, financial condition and prospects.

We aim to increase our market coverage by broadening our business scope, expanding our sales team, maintaining our leading advantage in solutions and services provided for PHC institutions and strengthening our market presence in hospitals and for individual customers. We may also selectively pursue strategic alliances, investments and acquisitions to further build our healthcare AI ecosystem. There can be no assurance that we will identify suitable opportunities to expand our business, negotiate commercially acceptable terms for such expansion, or successfully integrate any new assets or businesses in the future. Even if we can identify suitable opportunities, such expansion can be difficult, time-consuming and costly to execute, and we may not be able to secure necessary financing for such expansion. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for such acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs, and may derail our business strategy if we fail to do so. Unsuccessful expansion plans may have a material and adverse impact on our business, financial condition and prospects.

In addition, businesses that we acquire may have unknown or contingent liabilities, including liabilities for failure to comply with relevant laws, regulations and rules. There can be no assurance that our due diligence conducted will uncover all material unknown or contingent liabilities or other negative developments, such as bankruptcy, insolvency, liquidation or dissolution, or that the acquired businesses will be viable. We may also suffer reputational and financial harm as a result of actual or alleged claims against these businesses prior to acquisition.

Moreover, our future expansion and subsequent ramping up and integration efforts would require significant attention from our management, and could result in a diversion of resources from our existing business, which could, in turn, have a material adverse impact on our business, financial condition and prospects.

We engage outsourcing service providers for a portion of our operations. We have limited control over these personnel and may be liable for violations of applicable PRC labor laws and regulations.

We engage service providers that provide temporary, auxiliary or substitutive services to us. We enter into agreements with the service providers only, and therefore do not have any direct contractual relationship with personnel from the service providers. We are responsible for paying service fees to the service providers. We only enter into contracts with the service providers, and therefore do not have any direct contractual relationship with the personnel from these service providers. Since such personnel are not directly employed by us, our control over them is more limited as compared to our own employees. We cannot fully rule out the possibility of any personnel from these service providers failing to operate or perform their duties in accordance with our protocols, policies and business guidelines, in which event our market reputation, brand image and results of operations could be adversely affected. If the service providers violate any relevant requirements under the applicable PRC labor laws, regulations or their employment agreements with the personnel placed with us by these service providers, such personnel may claim compensation from us as they provide their services to us. As a result, we may incur legal or financial liability, and our market reputation and brand image, as well as our business, financial condition and prospects, could be adversely affected.

We depend on the continued service of our senior management team and other key employees, especially R&D, and our business, financial condition and prospects will suffer greatly if we lose their services.

We have been, and will continue to be, heavily dependent on the continued service of our senior management team and other key employees such as research personnel. Competition for competent candidates in the industry is intense and the pool of competent candidates is limited. If we lose the services of one or more of our key employees, we may not be able to locate suitable or qualified replacements in a timely manner or at all, and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. In addition, if any member of our senior management team or other key employees joins a competitor or forms a competing business, we may lose know-how, trade secrets and key professionals and staff. Each of our key employees has either entered into a separate confidentiality agreement with us or been subject to the confidentiality clause contained in his or her employment contract. There can be no assurance, however, regarding the extent to which any of these agreements will be enforceable under the applicable laws.

In particular, our business is largely dependent on contracting with and retaining sufficient R&D personnel and talent with information technology, AI and healthcare knowledge. They are responsible for innovating and improving our products and services to meet the changing needs of our customers and the market. We rely on the expertise and dedication of our core research and development personnel for the iterative development of our products and services. If such key personnel cease to provide their services to us, it could disrupt our product development, delay the launch of new products, and impact our ability to meet customer demand, further materially and adversely affect our business, financial condition and results of operations. The recruitment of such interdisciplinary personnel is competitive in the PRC. The near-term supply of such personnel is limited due to a number of factors, including the length of training required and the huge market demand. We cannot guarantee that our efforts to develop our talent pool will successfully attract, train or retain enough research and development employees to support our operations, which may materially and adversely affect our business and financial condition.

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

We are not aware of any instances of fraud, theft and other misconduct involving our employees and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, there can be no assurance that there will not be any such instances in the future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and financial condition.

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

We have limited business insurance coverage, which could expose us to significant costs and business disruption.

We maintain various insurance policies to safeguard against risks and unexpected events. We cannot assure you that our insurance coverage is sufficient to protect us against any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and prospects could be materially and adversely affected.

In addition, we are subject to laws, rules and regulations relating to insurance coverage which could result in proceedings or actions against us by governmental entities or others. Any failure, or perceived failure, by us to comply with laws, rules and regulations or contractual obligations relating to insurance coverage could result in proceedings or actions against us by governmental entities or others. These lawsuits, proceedings or actions may subject us to significant penalties and negative publicity, require us to increase our insurance coverage, require us to amend our insurance policy disclosure, increase our costs and disrupt our business.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred tax assets, which would have a material adverse effect on our results of operations.

We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset deductible losses. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had deferred tax assets of RMB42.8 million, RMB74.8 million, RMB105.7 million and RMB134.2 million, respectively. Therefore, the recognition of deferred tax involves judgment and estimates by our management on the timing and extent of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be utilized. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred tax assets were recognized, our ability to recover such deferred tax assets would be affected, which could have a material adverse effect on our results of operations.

Our results of operations, financial condition and prospects may fluctuate subject to the changes in fair value of our financial assets at fair value through profit or loss ("financial assets at FVTPL") due to the uncertainty of accounting estimates in the fair value measurement and use of significant unobservable inputs in the valuation techniques.

During the Track Record Period, our financial assets at fair value through profit or loss include structured deposits. For these investments, we recognized gains from changes in fair value of financial assets at FVTPL of nil, RMB2.7 million, RMB0.9 million and RMB0.3 million in 2021, 2022, 2023 and June 30, 2024, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, such financial assets at FVTPL amounted to nil, RMB85.0 million, RMB25.0 million and nil, respectively.

Fair value of our financial assets at FVTPL is estimated by using valuation techniques and on the basis of market observable and unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected return rate may change the fair value of structured deposits we purchased. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any losses from fair value changes on our financial assets at fair value through profit or loss in the future. If we incur such losses from fair value changes, our financial condition and prospects may be adversely affected.

We operate an employee share incentive plan which may lead to share-based payments that may affect our profitability and financial condition and dilute shareholders' interest.

We have adopted an employee share incentive plan, the restricted share units plan, to provide incentives and rewards to eligible employees and Directors. We recorded share-based payments of RMB34.9 million, RMB96.7 million, RMB93.3 million and RMB28.6 million in 2021, 2022, 2023 and June 30, 2024, respectively. Share-based payments are measured at the fair value of the equity instruments at the grant date. The fair value at the date of grant was valued by our Directors' reference to valuation reports compiled by an independent qualified professional valuer. In addition, the Controlling Shareholder, iFLYTEK, also operates certain share-based payment transactions which may cover certain or our employees. See Note 34 to the Accountants' Report in Appendix I to this prospectus. Any newly granted restricted share units that we may grant from time to time may result in an increase in our issued share capital when vested, which in turn may result in a dilution of our shareholders' shareholding interest in our Company and a reduction in earnings per share. Therefore, any significant share-based payments may result in a material and adverse impact on our financial condition.

Our exchange, return and warranty policies may materially and adversely affect our financial condition.

Our policy allows solutions with defects to be returned and exchanged by our customers. In addition, we offer a limited warranty for our solutions or purchase a limited warranty for our customers from the third-party vendors who supply certain components for hardware products of our AI solutions. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. These policies improve user experience and promote user loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and financial condition. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially and adversely affect our financial condition.

Failure to comply with PRC property-related laws and regulations regarding our owned and leased properties may materially and adversely affect our business, financial condition and prospects.

We occupy certain properties in the PRC in connection with our business operations. As of the Latest Practicable Date, we leased seven properties in the PRC, with an aggregate gross floor area of approximately 14,434.59 square meters (excluding space occupied by leased work desks), primarily for use for business and office purposes. In relation to certain of these leased properties, we have entered into lease agreements with parties who have not provided us with evidence of proper legal title to the leased lands or buildings. We believe that the reasons that the lessors failed to provide us with the relevant evidence of proper legal title are beyond our control. As advised by our PRC Legal Advisors, if the lessors do not have the requisite rights to lease these premises, we may be required to relocate or discontinue our use, which may subject us to temporary interruption to our regional business operations and additional relocation costs, thus further affecting our business operations and financial condition. Though we believe there are abundant alternative properties for leasing at comparable cost as our leased properties are primarily for business and office purposes, we cannot assure you that we will be able to find alternative properties in a timely manner.

In addition, as of the Latest Practicable Date, we had not registered the lease agreements for five of our leased properties with the relevant competent authorities in accordance with applicable laws and regulations in China. As advised by our PRC Legal Advisors, though failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties, if we or the landlords fail to register such lease agreements for our leased buildings as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each unregistered lease agreement. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements.

We may fail to comply with legal or regulatory requirements on social insurance and housing provident fund.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity, which may materially and adversely affect our financial performance and business prospects. During the Track Record Period, we failed to fully make social insurance and housing provident fund contributions. See "Business — Legal Proceedings and Compliance — Compliance." Failure to comply with the relevant laws and regulations could result in administrative penalties, fines or legal disputes. Additionally, any reputational damage arising from such non-compliance could negatively impact our standing with customers, investors and regulatory authorities. While we endeavor to maintain our internal controls and compliance policies efficiently and effectively, there can be no assurance that these measures will be sufficient to prevent any non-compliance due to the complexity and evolving nature of the regulatory environment. Any such failure to comply could also have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property infringement claims, unfair competition or other allegations, particularly relating to the resources or data we use in our artificial intelligence training, which could result in payment of substantial damages, penalties and fines and removal of data or technology from our system.

Our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement by us of other rights of third parties. The validity, enforceability and scope of protection of intellectual property rights in the healthcare AI industry, particularly in the PRC, is uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in the PRC, we face a higher risk of being the subject of intellectual property infringement claims.

Much of our business relies on technology and information developed or licensed by third parties. We cannot be certain that our operations, the information posted on our platform or any other aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there could be existing intellectual property of which we are not aware that our operations and business may inadvertently infringe. In particular, there is a risk that resources and data we use in training our AI technology may contain intellectual property owned by third parties. If we inadvertently use such protected content without proper authorization, we may be exposed to claims of intellectual property infringement. This could result in significant legal costs and damages, and could adversely affect our reputation and business operations. We cannot assure you that we will not become subject to intellectual property laws in other jurisdictions. If a claim of infringement brought against us in another jurisdiction is successful, we may be required to pay substantial penalties or other damages and fines or enter into license agreements which may not be available on commercially reasonable terms or at all, or we may be subject to injunctions or court orders. Even if allegations or claims lack merit, defending against them could be both costly and time-consuming and could significantly divert the efforts and resources of our management and other personnel.

Competitors and other third parties may claim that our officers or employees have infringed, misappropriated or otherwise violated their software, confidential information, trade secrets or other proprietary technology in the course of their employment with us. We cannot guarantee that any policies or contractual provisions that we have implemented or may implement to prevent the unauthorized use of disclosure of such third-party information, intellectual property or technology by our officers and employees will be effective. If a claim of infringement, misappropriation or violation is brought against us or one of our officers or employees, we may suffer reputational harm and may be required to pay substantial damages, be subject to injunctions or court orders or be required to remove the data and redesign our technology, any of which could adversely affect our business, financial condition and prospects.

In particular, third parties may assert claims against us or one of our officers or employees alleging infringement of copyrights for information available on our platform. Due to the large amount of information on our platform, we may not be able to identify and remove all potentially infringing information in a timely manner with our internal procedures to screen, monitor and remove the information displayed on our platform to comply with third-party intellectual property rights and PRC laws and regulations (such as anti-unfair competition laws and regulations). Accordingly, we may, from time to time, be exposed to copyright infringement or misappropriation claims by third parties, including competing online medical information platforms, relating to the medical knowledge information posted on our platform. Defending against any of these current or future claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we or one of our officers or employees may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution of the relevant medical knowledge information. To the extent that licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative information. We may also be subject to regulatory investigations, fines and other penalties or even criminal liabilities for any unfair competitive practices, which could materially and adversely affect our business and reputation.

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

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

We are required to comply with the applicable laws and regulations on environmental, social and governance matters, and changes in social trends and political policies relating to ESG may have a material adverse impact on us.

There has been increasing awareness of matters relating to environmental, social and governance ("ESG") among investors, regulatory authorities, and the general public. The PRC government has been increasingly emphasizing the importance of ESG factors in recent years and has implemented various laws and regulations accordingly. Failure to comply with such applicable laws and regulations may subject us to penalties and adversely affect our business, financial condition, results of operations and reputation.

In addition, there have been several policy initiatives aimed at promoting sustainable development and corporate responsibility, and to eventually achieve carbon neutrality by 2060. We are required to allocate our resources and effort to design governance systems in compliance with the existing ESG regulations and new laws and regulations promulgated from time to time. These increasing obligations regarding resource consumption may lead to higher compliance costs. For example, we may need to switch to energy-efficient lighting or increase green spaces of our business premises. Considering the unpredictable nature of social trends, it could cost us a substantial amount of time and resources to constantly monitor the latest developments in ESG laws and regulations that may become applicable to us. Any potential changes in social trends and policies relating to ESG could significantly increase our regulatory compliance costs or require us to alter our existing practices in a way that might interrupt our business operations.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRINCIPAL PLACE OF OUR BUSINESS

Changes in PRC's economic, political and social conditions could affect our business, financial condition and prospects.

All of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies.

During the past decades, the PRC government has taken various actions to promote the market economy and the establishment of sound corporate governance in business entities. Through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing governmental policy support to particular industries or companies, it also exerts significant influence over China's economic growth.

Our performance has been and will continue to be affected by the PRC's economy, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact the PRC's economic growth. China's economy has experienced significant growth in the past few decades. We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments, and many of these risks are beyond our control. All such factors could have an indirect potential impact on our business, financial condition and prospects.

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC government imposes control on the convertibility of Renminbi into foreign currencies. We receive all of our revenue in Renminbi. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency-denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our Shareholders. Furthermore, there can be no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

Any failure to comply with PRC regulations regarding our share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

We and our directors, executive officers and other employees who are PRC citizens or who have resided in China for a continuous period of not less than one year and who have been granted restricted (H) share units, restricted (H) shares or options will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) when our company becomes an overseas-listed company upon the completion of the Global Offering. According to the aforementioned notice, employees, directors, supervisors and other management members participating in any (H) share incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with the SAFE or its local branches or commercial banks, through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

If we implement a stock incentive plan or an option plan based on H shares after the Global Offering, we will assist our employees to register their (H) share options or (H) shares. However, any failure to complete SAFE registrations may subject such employees and us to: (i) legal or administrative sanctions imposed by the SAFE or other PRC authorities, including fines; (ii) restrictions on our cross-border investment activities; (iii) limits on the ability of our wholly owned subsidiaries in China to distribute dividends or the proceeds from any reduction in capital, share transfer or liquidation to us; and (iv) prohibitions on our ability to inject additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any dividends paid to investors and gains on the sale of our H Shares by our investors may be subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) (財稅[2009]167號) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) (財稅[2010]70號). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations, or practices in the future would result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Pursuant to the EIT Law and its implementing rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated June 28, 2011, issued by the SAT, non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in such PRC companies, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees and payments through CCASS). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of any such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected.

Payment of dividends is subject to restrictions under PRC law and regulations.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries and joint ventures in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Failure by our operating subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including during periods in which we are profitable.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas listings issued by PRC government authorities.

On February 17, 2023, the CSRC issued the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which became effective on March 31, 2023 (the "Overseas Listing Regulations"). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC ("PRC domestic companies") and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. The Overseas Listing Regulations stipulate that such issuer shall fulfill the filing procedures within three working days after it makes an application for offering and listing in an overseas stock market. According to the Overseas Listing Regulations, we, as a PRC domestic company seeking to offer and list securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three working days after submitting the application documents to the overseas supervisory authorities and report relevant information. For details, see "Regulatory Overview – Regulations on Securities and Overseas Listings" in this prospectus. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and all of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"), which took effect on January 29, 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the mainland China. The arrangement discontinued the requirement for a choice of court written agreement for bilateral recognition and enforcement. The arrangement further regulates, among others, the scope and particulars of judgements, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgement, the circumstances where the recognition and enforcement of judgement shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgements in civil and commercial matters between the courts in mainland

China and those in the Hong Kong. Upon implementation of this Arrangement, the Arrangement between the Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgements of Civil and Commercial Matters under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) which was adopted by the Judicial Committee of the Supreme People's Court on 12 June 2006 and took effect on 1 August 2008 has been repealed.

The holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong to which we will be subject upon the listing of our H Shares on the Stock Exchange do not have the force of law in Hong Kong.

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

Fluctuations in exchange rates between the Renminbi and the Hong Kong dollar, the U.S. dollar and other currencies may be affected by, among other things, changes in the PRC's political and economic conditions, as well as international economic and political developments. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

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

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to completion of the Global Offering, there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between the Group and the Overall Coordinators and the Joint Global

Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our H Shares will be traded following completion of the Global Offering. The market price of our H Shares may drop below the Offer Price at any time after completion of the Global Offering.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers and customers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

You will incur immediate and significant dilution if the Offer Price of the Offer Shares is higher than the net tangible asset value per H Share, and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future sales or perceived sales of substantial amounts of our H Shares in the public market following the Global Offering could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution of their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may materially and adversely affect the trading price of H Shares.

Our Controlling Shareholder has significant influence over us, and his interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholder has substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Following the completion of the Global Offering, our Controlling Shareholder will be interested in approximately 49.42% of our total issued share capital (assuming the Over-allotment Option is not exercised) or approximately 48.99% of our total issued share capital (assuming the Over-allotment Option is exercised in full). The concentration of voting power and the substantial influence of our Controlling Shareholder over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our H Shares. In addition, the interests of our Controlling Shareholder may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholder will continue to have the ability to exercise substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other Shareholders.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications contained in this prospectus.

This prospectus, particularly the section headed "Industry Overview," contains information and statistics relating to the healthcare AI industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible and other publicly available sources. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Underwriters, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

You should read this entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our network of medical institutions, our industry or the Global Offering.

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasize to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to invest in our H Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

In preparation for the Listing, we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing, which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements (as the case may be) in respect of the transactions under Chapter 14A of the Listing Rules. See "Connected Transactions".

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and will continue to be based in the PRC; (ii) our Company's head office is situated in the PRC, our executive Director and senior management team principally reside in the PRC and will continue to be based in the PRC after the Listing; and (iii) the management and operation of our Company have mainly been under the supervision of the executive Director and senior management of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Company's business, and all the executive Director and senior management of our Company principally reside in the PRC and it is important for them to remain in close proximity to our Company's operation located in the PRC, we consider that it would be more practical for our executive Director and senior management to remain ordinarily resident in the PRC where our Company has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives**: we have appointed Dr. Tao Xiaodong (陶曉東) ("**Dr. Tao**") and Dr. Liu Wei (劉偉) as the authorized representatives ("**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Although Dr. Tao and Dr. Liu Wei reside

in the PRC, they possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See "Directors, Supervisors and Senior Management" for more information about Dr. Tao and Dr. Liu Wei.

2. **Directors**: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers and email addresses) of each of our Directors. In the event that any Director expects to travel or otherwise be out of the office, he or she will provide the phone number, and fax numbers (where applicable) of the place of his/her accommodation to the Authorized Representatives. Accordingly, the Authorized Representatives have means for contacting all directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after being requested to do so by the Stock Exchange.

3. **Compliance adviser**: we have appointed Somerley Capital Limited as our compliance adviser ("**Compliance Adviser**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as an additional channel of communication of our Company with the Stock Exchange during the period from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

4. **Joint company secretary**: we have appointed Ms. Yeung Siu Lam (楊兆琳) ("**Ms. Yeung**"), who is a Hong Kong resident, as one of our joint company secretaries. Ms. Yeung will maintain constant contact with our Directors and senior management team members through various means.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

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

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Dr. Liu Wei as one of the joint company secretaries of our Company. Dr. Liu Wei has been responsible for investment, financing, strategy planning, marketing and corporate matters of our Group since September 2018 and has served as the Board secretary since December 2021, through which Dr. Liu Wei has gained a thorough understanding of the management and business operation of our Group. Dr. Liu Wei has been actively involved in the proposed Listing of our Company since its inception. As Dr. Liu Wei has substantial experience in handling investment, financing, strategy planning, marketing and corporate matters relating to our Company, and is familiar with our Company's business operations, the Board believes that appointment of Dr. Liu Wei as our company secretary would be beneficial for our Company. See "Directors, Supervisors and Senior Management" for further biographical details of Dr. Liu Wei. However, Dr. Liu Wei personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed

Ms. Yeung, a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Dr. Liu Wei for an initial period of three years from the Listing Date to enable Dr. Liu Wei to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors, Supervisors and Senior Management" for further biographical details of Ms. Yeung which satisfy the requirements under Note 1(a) to Rule 3.28 of the Listing Rules.

The following arrangements have been, or will be, put in place to assist Dr. Liu Wei in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Dr. Liu Wei will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules, which will be organized by our Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Ms. Yeung will assist Dr. Liu Wei to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(c) Ms. Yeung will communicate regularly with Dr. Liu Wei on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Yeung will work closely with, and provide assistance for, Dr. Liu Wei in the discharge of her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings; and

(d) Upon expiry of Dr. Liu Wei's initial term of appointment as the joint company secretary of our Company, we will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Dr. Liu Wei's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Yeung ceases to provide assistance to Dr. Liu Wei or there are material breaches of the Listing Rules by our Company. Before the expiry of the initial three-year period, the qualification of Dr. Liu Wei will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that there shall be an open market for the securities in which listing is sought. This will normally mean that at least 25% of the issuer's total number of issued shares must at all times be held by the public. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer shall have an expected market capitalization at the time of listing of over HK$10 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(d) the issuer will confirm the sufficiency of the public float in annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

To maintain the flexibility of a lower public float upon and after Listing, we have applied to the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to grant us, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules such that the minimum public float requirement be reduced and the minimum percentage of the H Shares from time to time to be held by the public will be the higher of 15.67% of the total number of issued Shares (assuming the Over-allotment Option is not exercised) or such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option.

In support of the application, we have confirmed to the Stock Exchange that:

(a) we will disclose such lower percentage of public float in this prospectus;

(b) it is currently expected that our Company will have a market capitalization of approximately HK$10,008.7 million, which will exceed the minimum threshold of HK$10 billion as required under Rule 8.08(1)(d) of the Listing Rules;

(c) it is currently expected that no less than 7,035,550 H Shares will be offered under the Global Offering and the total gross proceeds are expected to be no less than HK$582.5 million (based on the Offer Price of HK$82.8). As a result, it is expected that there will be sufficient H Shares available to satisfy investor demand in Hong Kong, notwithstanding the lower public float percentage;

(d) pursuant to the Global Offering, the H Shares will be offered to a broad range of investors, including the public in Hong Kong, professional and institutional investors and other investors expected to have a sizeable demand for the shares in and outside Hong Kong. Such a diverse investor base will contribute to an open market in the trading of the H Shares;

(e) we will confirm the sufficiency of public float in successive annual reports after the Listing;

(f) we will implement appropriate measures and mechanism to ensure continued maintenance of the minimum percentage of public float; and

(g) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

ALLOCATION OF H SHARES TO A CLOSE ASSOCIATE OF AN EXISTING SHAREHOLDER

Rule 10.04 of the Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of the issuer either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled. It is provided in Rule 10.03(1) of the Listing Rules that no securities may be offered to existing shareholders and their close associates on a preferential basis and no preferential treatment may be given to them in the allocation of the securities; and in Rule 10.03(2) of the Listing Rules that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) must be achieved.

Paragraph 5(2) of the Appendix F1 to the Listing Rules (the "**Placing Guidelines**") provides, *inter alia*, that without the prior written consent of the Stock Exchange, no allocations will be permitted to existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Chapter 4.15 of the Guide provides guidance as to the conditions subject to which the Stock Exchange will consider giving consent and granting waiver from Rule 10.04 of the Listing Rules to an applicant's existing shareholders or their close associates to participate in a global offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

Star Group Limited ("**Star Group**") has entered into a cornerstone investment agreement with the Company. For details of its cornerstone investment, please refer to the section headed "Cornerstone Investors" in this prospectus.

Star Group is a company incorporated in Hong Kong with limited liability, which is wholly owned by China Merchants China Direct Investments Limited whose shares have been listed on the Stock Exchange of Hong Kong (Stock Code: 00133), and is a close associate of our existing Shareholder, namely, Tianzheng Investment, which held approximately 3.4258% of our shareholding as of the Latest Practicable Date. Given that Star Group is a close associate of the existing Shareholder, the participation of Star Group in the Global Offering is therefore subject to a waiver from strict compliance with Rule 10.04 of the Listing Rules and a consent from the Stock Exchange in accordance with Paragraph 5(2) of the Placing Guidelines.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix F1 to, the Listing Rules, to allow Star Group, a close associate of an existing Shareholder, to subscribe for Offer Shares in the Global Offering as a cornerstone investor based on the following conditions:

(a) each of Tianzheng Investment and Star Group (individually and when aggregated together) is interested in less than 5% of the Company's voting rights prior to the completion of the Global Offering;

(b) each of Tianzheng Investment and Star Group and their respective close associates is not, and will not be, a core connected person of the Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

(c) each of Tianzheng Investment and Star Group and their respective close associates has no power to appoint any Directors of the Company or any other special rights in the Company;

(d) allocation to Star Group will not affect our ability to satisfy the public float requirement as prescribed by the Stock Exchange under the waiver from strict compliance with the requirements of Rule 8.08 of the Listing Rules;

(e) the Offer Shares to be subscribed by and allocated to Star Group under the Global Offering will be at the same Offer Price and on substantially the same terms as the other cornerstone investors (including being subject to a lock-up period of six months from the Listing Date) and shall pay for the relevant Offer Shares before dealings commence on the Listing Date;

(f) the Company confirms that no preferential treatment has been, nor will be, given to Tianzheng Investment or Star Group or their respective close associates by virtue of their relationship with the Company in any allocation in the placing tranche, other than the preferential treatment of assured entitlement under the Proposed Cornerstone Investment which follows the principles set out in the Chapter 4.15 of the Guide, that the terms of the cornerstone investment agreement of do not contain any material terms which are more favourable to it than those in the other cornerstone investment agreements entered into in the Global Offering;

(g) the Overall Coordinators confirm that, to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to Tianzheng Investment or Star Group or their respective close associates by virtue of their relationship with the Company in any allocation in the placing tranche, other than the preferential treatment of assured entitlement under the proposed cornerstone investment which follows the principles set out in the Chapter 4.15 of the Guide; and

(h) the Joint Sponsors confirm that based on (i) their discussions with the Company and the Overall Coordinators; and (ii) the confirmations provided to the Stock Exchange by the Company, and to the best of their knowledge and belief, they have no reason to believe that Tianzheng Investment or Star Group or their respective close associates received any preferential treatment in the IPO allocation as cornerstone investor by virtue of their relationship with the Company, other than the preferential treatment of assured entitlement under the proposed cornerstone investment which follows the principles set out in the Chapter 4.15 of the Guide, and details of the allocation of the Offer Shares to Star Group in the Global Offering as cornerstone investor will be disclosed in this prospectus and the allotment results announcement of the Company.

THE PROPOSED SUBSCRIPTION OF H SHARES BY HENGQIN INVESTMENT FUND THROUGH GF SECURITIES AM

Paragraph 5(1) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to "connected clients" of the overall coordinator(s), any syndicate member(s) (other than the overall coordinator(s)) or any distributor(s) (other than syndicate member(s)) (collectively, the "**Distributors**", and each a "**Distributor**"), without the prior written consent of the Stock Exchange.

Paragraph 13(7) of the Appendix F1 to the Listing Rules states that "connected client" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

As further described in the section headed "Cornerstone Investments" in this prospectus, Guangdong-Macao In-Depth Cooperation Zone in Hengqin Industrial Investment Fund (Limited Partnership) (橫琴粵澳深度合作區產業投資基金(有限合夥)) ("**Hengqin Investment Fund**") has entered into a cornerstone investment agreement with the Company, the Joint Sponsors and the Overall Coordinators to subscribe for the Offer Shares. For the purpose of the cornerstone investment, Hengqin Investment Fund has engaged GF Securities Asset Management (Guangdong) Co., Ltd. (廣發証券資產管理(廣東)有限公司) ("**GF Securities AM**"), an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, in the name of SPDB-GFAM JINXUN NO. 1 ASSET MANAGEMENT ACCOUNT (QDII) (廣發資管金訊1號單一資產管理計劃 (QDII)), to subscribe for and hold such Offer Shares on a non-discretionary basis on behalf of Hengqin Investment Fund.

GF Securities (Hong Kong) Brokerage Limited ("**GF Securities (Hong Kong) Brokerage**") has been appointed as one of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers in respect of the Global Offering. GF Securities AM is a direct wholly-owned subsidiary of GF Securities Co., Ltd. (stock code: 1776.HK) ("**GF Securities**") and GF Securities (Hong Kong) Brokerage is an indirect wholly-owned subsidiary of GF Securities. Each of GF Securities AM and GF Securities (Hong Kong) Brokerage is a member of the same group of companies. As a result, GF Securities AM is a connected client of GF Securities (Hong Kong) Brokerage for the purpose of paragraph 13(7) of Appendix F1 to the Listing Rules.

We have applied for, and the Stock Exchange has granted, a consent under paragraph 5(1) of Appendix F1 to the Listing Rules to permit Hengqin Investment Fund (through GF Securities AM as the asset manager) to participate in the Global Offering as a cornerstone investor on the following basis and conditions as set out in Paragraph 5 of Chapter 4.15 of the Guide:

(a) the Offer Shares to be allocated to GF Securities AM will be held on a non-discretionary basis on behalf of Hengqin Investment Fund, an independent third party (as defined in Chapter 4.15 of the Guide);

(b) the cornerstone investment agreement of Hengqin Investment Fund (through GF Securities AM as the asset manager) do not contain any material terms which are more favourable to Hengqin Investment Fund (through GF Securities AM as the asset manager) than those in other cornerstone investment agreements;

(c) no preferential treatment has been, nor will be, given to Hengqin Investment Fund (through GF Securities AM as the asset manager) by virtue of their relationship with GF Securities (Hong Kong) Brokerage in any allocation of Offer Shares in the International Offering other than the assured entitlement under the relevant cornerstone investment agreement following the principles set out in Chapter 4.15 of the Guide;

(d) GF Securities AM confirms, to the best of its knowledge and belief, that no preferential treatment has been, nor will be, given to Hengqin Investment Fund (through GF Securities AM as the asset manager) by virtue of their relationship with GF Securities (Hong Kong) Brokerage in any allocation of Offer Shares in the International Offering other than the assured entitlement under the relevant cornerstone investment agreement following the principles set out in Chapter 4.15 of the Guide;

(e) each of the Company, the Overall Coordinators (including GF Securities (Hong Kong) Brokerage as a connected distributor) and GF Securities AM has provided the Stock Exchange with written confirmations in accordance with Chapter 4.15 of the Guide; and

(f) details of the cornerstone investment and details of the allocation will be disclosed in this prospectus and the allotment results announcement.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering," and the procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares."

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about December 24, 2024.

CSRC FILING

On July 19, 2024, the CSRC has issued a notification on our Company' completion of the PRC filing procedures for the listing of our Shares on the Stock Exchange and the Global Offering. As advised by our PRC Legal Advisors, our Company has completed all necessary filings with the CSRC in the PRC in relation to the Global Offering and the Listing.

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering, and (ii) the H Shares to be converted from our existing Unlisted Shares. Dealings in the H Shares on the Stock Exchange are expected to commence on Monday, December 30, 2024. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 50 H Shares. The stock code of the H Shares is 2506.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional in Hong Kong at or before 8:00 a.m. in Hong Kong on Monday, December 30, 2024, it is expected that dealings in our H Shares on the Stock Exchange will commence on 9:00 a.m., Monday, December 30, 2024. The H Shares will be traded in board lots of 50 H Shares each, the stock code of the H Shares will be 2506.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing to, purchasing, holding or disposing of, and/or dealing in the H Shares (or exercising rights attached thereto). None of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, agents, employees or advisers or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription to, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the H Shares or exercising any rights attached to them.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with us and each of the Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law and our Articles of Association;

(b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration, and where applicable, in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(c) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

(d) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. See "Statutory and General Information — 6. Other Information — I. Taxation of Holders of H Shares" in Appendix VI to this prospectus. Investors should seek professional tax advice for further details of Hong Kong stamp duty.

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our H Share register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering."

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (1) the translations between Renminbi and U.S. dollars were made at the rate of RMB7.1870 to US$1, being the PBOC rate prevailing on December 9, 2024, (2) the translations between Hong Kong dollars and Renminbi were made at the rate of RMB0.9237 to HK$1.00, being the PBOC rate prevailing on December 9, 2024, and (3) the translation between U.S. dollars and Hong Kong dollars were made at a rate of US$1 to HK$7.7804, calculated based on the PBOC rate prevailing on December 9, 2024.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Name	Address	Nationality
Executive Director		
Dr. Tao Xiaodong (陶曉東)	No. 12-1904, Xiangyuancheng 888 West Wangjiang Road Hefei, Anhui Province PRC	American
Non-Executive Directors		
Dr. Liu Qingfeng (劉慶峰)	Suite 601, Building 17, Yiyunju Mengyuan Community 669 Changjiang West Road, Shushan District Hefei, Anhui Province PRC	Chinese
Mr. Zhao Zhiwei (趙志偉)	102, Building 28 Linghushu, High-tech Zone Hefei, Anhui Province PRC	Chinese
Mr. Duan Dawei (段大為)	Room 1601, Building 18, Jiangnan Minglu, Baiyu Road, Putuo District Shanghai PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Prof. Wang Yang (汪揚)	Room 2B, Tower 17 HKUST Clear Water Bay Kowloon Hong Kong	Chinese (Hong Kong)
Prof. Zhao Huifang (趙惠芳)	Room 502, Building 3 Moonlight Garden Hefei University of Technology No. 193 Tunxi Road Hefei, Anhui Province PRC	Chinese
Mr. Tan Ching (談慶)	Room 05, Building 2 No. 50, Jinbang Road Changning District Shanghai PRC	American

SUPERVISORS

Name	Address	Nationality
Ms. Zhang Xuanxuan (張旋旋)	Suite 702, Building G-1 Phase I, Xiangyuancheng 888 West Wangjiang Road Shushan District Hefei, Anhui Province PRC	Chinese
Ms. Sheng Yan (盛豔)	Room 303, Building Y12 Xuhui Hushanyuanzhu High-tech Zone Hefei, Anhui Province PRC	Chinese
Mr. Gui Yajun (桂雅駿)	Suite 1604, Unit 2 Building 3, Zone B Meiyu Garden 446 Jinniu Road, Shushan District Hefei, Anhui Province PRC	Chinese

For more information on our Directors and Supervisors, see "Directors, Supervisors and Senior Management" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	GF Capital (Hong Kong) Limited 27/F, GF Tower 81 Lockhart Road Wanchai Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
Sponsor-Overall Coordinators and Overall Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	GF Securities (Hong Kong) Brokerage Limited 27/F, GF Tower 81 Lockhart Road Wanchai Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
Joint Global Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower, One Hennessy
1 Hennessy Road
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

TradeGo Markets Limited
Room 3405, West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Joint Lead Managers

Huatai Financial Holdings (Hong Kong) Limited
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99 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower, One Hennessy
1 Hennessy Road
Hong Kong

CMBC Securities Company Limited
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Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
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Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
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Hong Kong

TradeGo Markets Limited
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Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Advent Securities (Hong Kong) Limited
Unit A-C, 11/F, Kee Shing Centre
74-76 Kimberley Road
Kowloon
Hong Kong

Capital Market Intermediaries

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
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GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wanchai
Hong Kong

CCB International Capital Limited
12/F CCB Tower
3 Connaught Road Central
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

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TradeGo Markets Limited
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Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Advent Securities (Hong Kong) Limited
Unit A-C, 11/F, Kee Shing Centre
74-76 Kimberley Road
Kowloon
Hong Kong

Reporting Accountants and Independent Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisors to our Company

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

As to PRC law:
CM Law Firm
2805, Plaza 66 Tower 2
1366 West Nanjing Road
Shanghai
PRC

	As to U.S. export control and sanctions law **Pillsbury Winthrop Shaw Pittman LLP** 1200 Seventeenth Street, NW Washington, DC 20036 The United States
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* **DLA Piper Hong Kong** 25/F, Three Exchange Square 8 Connaught Place Central Hong Kong
	As to PRC law: **King & Wood Mallesons** 28/F, China Resources Tower 2666 Keyuan South Road Nanshan District Shenzhen, Guangdong Province PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504, Wheelock Square 1717 Nanjing West Road Shanghai PRC
Compliance Advisor	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
Receiving Bank	**CMB Wing Lung Bank Limited** CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Head Office and Principal Place of Business in the PRC	No. 167 Guang'anmennei Street Xicheng District, Beijing PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	**https://www.iflyhealth.com/** *(Information on this website does not form part of this prospectus)*
Joint Company Secretaries	**Dr. Liu Wei (劉偉)** No. 167 Guang'anmennei Street Xicheng District, Beijing PRC **Ms. Yeung Siu Lam (楊兆琳)** *An Associate of The Hong Kong Chartered Governance Institute* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	**Dr. Tao Xiaodong (陶曉東)** No. 167 Guang'anmennei Street Xicheng District, Beijing PRC **Dr. Liu Wei (劉偉)** No. 167 Guang'anmennei Street Xicheng District, Beijing PRC
Audit Committee	Prof. Zhao Huifang (趙惠芳) (*Chairwoman*) Prof. Wang Yang (汪揚) Mr. Duan Dawei (段大為)
Remuneration Committee	Prof. Zhao Huifang (趙惠芳) *(Chairwoman)* Mr. Zhao Zhiwei (趙志偉) Mr. Tan Ching (談慶)

Nomination Committee	Dr. Liu Qingfeng (劉慶峰) *(Chairman)* Prof. Zhao Huifang (趙惠芳) Mr. Tan Ching (談慶)
H Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Center 16 Harcourt Road Hong Kong
Principal Bank(s)	**Huishang Bank Hefei High-Tech Zone Branch** No. 848, West Changjiang Road Shushan District Hefei, Anhui Province PRC **China Merchants Bank Hefei Sanxiaokou Branch** China Merchants Bank Tower No. 169 Funan Road Luyang District Hefei, Anhui Province PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the sponsors, the overall coordinators, the underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

THE PRC HEALTHCARE SERVICE INDUSTRY

The PRC healthcare service industry primarily consists of services for disease prevention, treatment and rehabilitation. China's healthcare expenditure was RMB9,095.7 billion in 2023, and is expected to increase to RMB14,542.8 billion in 2030 at a CAGR of 6.9%. Healthcare service providers in China comprise PHC institutions, hospitals and other healthcare institutions. As of December 31, 2023, there were 1,016 thousand PHC institutions and 39 thousand hospitals in China.

PHC Institutions consist of community health centers, rural health centers and village clinics. Hospitals in China are mainly divided into public and private hospitals. Based on their size, medical and technical capabilities, medical equipment availability, management capabilities and service quality, hospitals in China can be categorized as Class I, Class II or Class III, with A, B and C levels in each category. Class III Level A hospitals are the highest ranking hospitals in this ranking system.

The PRC healthcare service industry is facing the following challenges:

- ***Shortage of resources.*** There is a significant scarcity of suitably qualified doctors and medical resources in the PRC healthcare service industry, especially in PHC institutions, which serve as the first line of contact for healthcare services.

- ***Uneven distribution of resources.*** There is an uneven distribution of medical resources in the healthcare service industry, where a relatively small percentage of hospitals attend to an overwhelmingly large number of visits. There are 3,855 Class III hospitals in China in 2023, accounting for 10.1% of all hospitals, but they are responsible for more than 2,600 million visits, accounting for 61.7% of the total number of hospital visits in 2023.[(1)]

Note:

(1) According to Frost & Sullivan, the number of hospitals in China split by grade is derived from the Statistical Bulletin of China's Health Development in 2023 (《2023中國衛生健康事業發展統計公報》).

- ***Challenges for efficient collaboration*****:** Collaborative mechanisms such as a tiered healthcare system and two-way referral can help address the shortage and uneven distribution of resources. However, the implementation of such mechanisms faces challenges. For example, it is difficult to share patients' EMRs and diagnostic reports due to the incompatibility of systems across healthcare institutions.

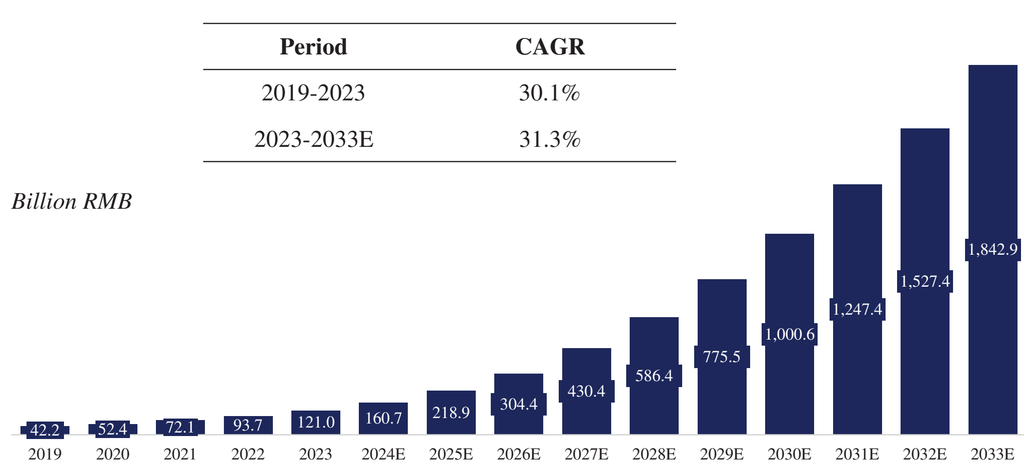
To address the aforementioned challenges, strengthen the healthcare system and promote sustainable growth of the healthcare service industry, the Chinese government has promulgated favorable policies including: (i) the Outline of Healthy China 2030 Planning, issued by the State Council of China in 2016, to ensure access by the general public to healthcare services; (ii) Opinions on Deepening Pharmaceutical and Healthcare System Reform (關於深化醫藥衛生體制改革的意見), issued in 2019 by the State Council of China, to enhance equitable access by the general public to basic medical and health services, and improve the overall health level of the population; (iii) the 14th Five-Year Plan for medical developments, issued in March 2021, to promote the development of public health, medical service, universal medical insurance and other health systems, accelerate the expansion of access to quality medical resources and facilitate their balanced distribution among regions; and (iv) Opinions on Further Improving the Medical and Health Care Service System, issued by the State Council of China in 2023 to accelerate the application of the Internet, AI, cloud computing and big data in healthcare, and establish and reinforce a system for sharing, exchanging and safeguarding big data in healthcare.

GROWING AI INDUSTRY

AI enables machines to perform tasks normally requiring human involvement. It has been deployed in numerous sectors, notably healthcare, education and automobiles. The market size of AI solutions in China in terms of revenue increased from RMB42.2 billion in 2019 to RMB121.0 billion in 2023 at a CAGR of 30.1%, and is expected to further increase to RMB1,842.9 billion in 2033 at a CAGR of 31.3% from 2023 to 2033.

Market Size of AI Solutions in China, 2019-2033E

Period	CAGR
2019-2023	30.1%
2023-2033E	31.3%



Source: Public Companies' Filings, Company Official Websites, Frost & Sullivan Analysis

The AI industry is expected to be driven by the following factors and trends:

- ***Favorable policies***: Favorable policies can accelerate the R&D and upgrade of AI technologies, increase their application scope and stimulate market demand in the AI industry. The Chinese government has promulgated favorable policies including the Guiding Opinions on Accelerating Scenario Innovation and Promoting High-quality Economic Development with High level Application of Artificial Intelligence, issued by the MOST in 2022, to advance AI innovation and promote the development of AI technologies.

- ***Technology breakthrough***: AI technologies have witnessed continual breakthroughs, evidenced by the recent development of LLMs. In particular, the development of specialized LLMs, which rely on domain and use case-specific knowledge to interpret terminology, concepts, solutions and reasons, are expected to create new market opportunities in specialized and complex sectors such as healthcare, where general LLMs may not adequately meet the distinct demand.

- ***AI Integration in the digital economy***: A digital economy serves as the infrastructure for efficient information sharing and processing. Integrated within digital economy, AI can be applied to provide more customized and personalized solutions.

THE HEALTHCARE AI INDUSTRY IN CHINA

Overview

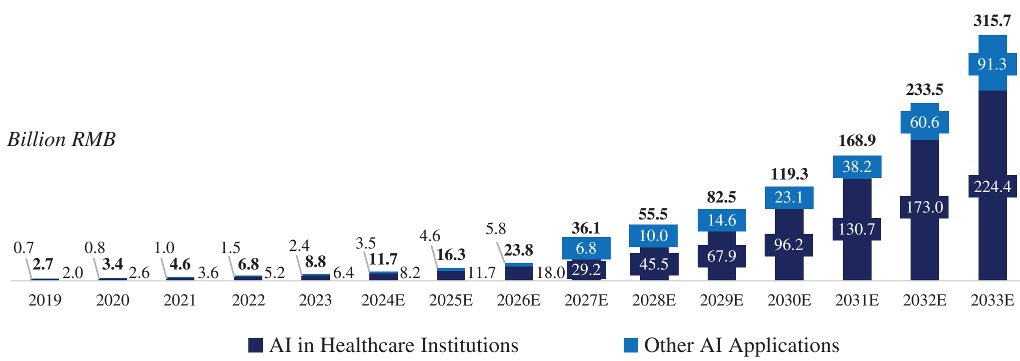
AI technologies are used to support the PHC institutions, hospitals, patients and regional healthcare administrators in the healthcare AI industry, among other stakeholders: (i) for PHC institutions and hospitals, AI can enhance soundness of the diagnoses and appropriateness of medication recommendations of doctors; (ii) for patients, AI can offer personalized healthcare solutions, improving the overall healthcare experience; and (iii) for regional healthcare administrators, AI can assist with data-driven decision-making. The healthcare AI industry primarily consists of (i) the market for AI in healthcare institutions and for healthcare administrators, (ii) the market for AI in pharmaceutical and biotech companies and (iii) others, principally the market for patient-facing AI products and services.

To further promote the development of the healthcare AI industry, the Chinese government has issued favorable policies including: (i) National Approach to the Management of Big Data Standards, Security and Services for Healthcare, issued by the National Health Commission of the PRC (“**NHC**”) in 2018, to promote the application of new modes and methods in AI-assisted treatment, establish intelligent hospitals and develop human-computer interaction (“**HCI**”) solutions; and (ii) Opinions on Supporting the Healthy Development of New Forms and Models to Activate the Consumer Market and Drive the Expansion of Employment, issued by the State Council of China in 2020, to encourage leading AI enterprises to increase the provision of open-source and advanced AI technologies.

The market size of the healthcare AI industry in China has increased significantly. It grew from RMB2.7 billion in 2019 to RMB8.8 billion in 2023 at a CAGR of 33.8%. It is expected to further grow to RMB315.7 billion in 2033 at a CAGR of 43.1% from 2023 to 2033. The company has been ranking first in terms of revenue in 2021, 2022 and 2023, with a market share of 8.0%, 6.8% and 5.9%, respectively.

Market Size of the Healthcare AI Industry in China, 2019-2033E

Period	CAGR		
	AI in Healthcare Institutions	Other AI Applications	Total
2019-2023	32.9%	36.2%	33.8%
2023-2033E	42.8%	43.9%	43.1%



Note: Other AI Applications mainly includes AI applications in pharmaceutical companies and biotech. The AI market in pharmaceutical companies and biotech does not include computer-aided drug discovery (CADD) and sales of pharmaceutical products developed using AI. The others – excluding AI in pharmaceutical companies and biotech – mainly include patient-facing AI products and services, etc.

Source: Public Companies' Filings, China Health Statistical Yearbook, Frost & Sullivan Analysis

The growth drivers and future trends of the healthcare AI industry in China are set forth as follows:

- ***Advancement of AI technologies and hardware:*** AI technologies and hardware advancements are expected to drive the growth of the industry. In particular, the increased volume of data can be used to train AI models, which can in turn propel the development of AI technologies, creating a virtuous development cycle.

- ***Favorable policies and increasing market demand:*** Favorable policies from the Chinese government are promoting the development of AI in healthcare. For example, on July 8, 2021, NMPA announced the Classification Guidelines for Artificial Intelligence-AI Medical Devices and SaMDs (Software as Medical Devices) (《人工智能醫用軟件產品分類界定指導原則》), which strengthened the supervision and management of artificial intelligence medical software products to promote high-quality development of the industry. On July 29, 2022, MOST, together with other relevant authorities, promulgated the Guiding Opinions on

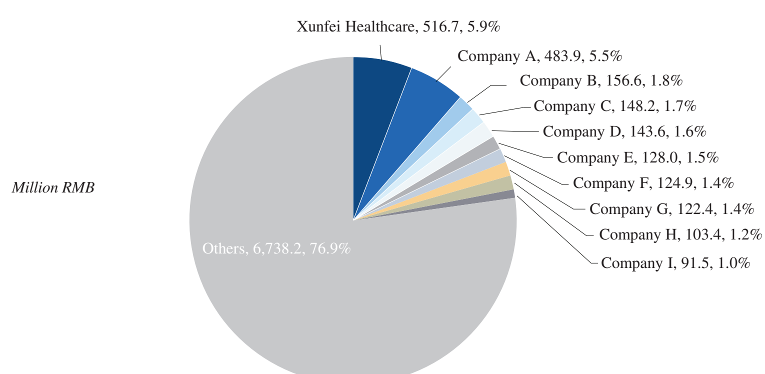
Accelerating Scenario Innovation and Promoting High-quality Economic Development with High level Application of Artificial Intelligence (《關於加快場景創新以人工智能高水平應用促進經濟高質量發展的指導意見》), aiming to comprehensively enhance the development quality and level of AI. In addition, heightened public awareness of proactive health management, the aging population and increasing demand from hospitals are driving the needs for healthcare AI solutions.

- ***Revolution through AI assistance:*** Deployed in solutions such as CDSS, medical imaging and public health services, AI provides diagnoses and treatment recommendations to medical professionals and automates their routine administrative tasks. The application of AI in medical scenarios is expected to enhance the soundness of diagnoses and treatments and streamline the healthcare process, improving the overall quality of care.

- ***Increasing AI accessibility through applications and mini-programs:*** Incorporated into healthcare service mobile applications and mini-programs, AI can improve service accessibility, streamline patient interaction and enhance post-diagnosis management through real-time feedback, personalized health profile and the generation of reminders for purposes including medication and follow-up consultations.

The following table sets forth the market size of major companies in the healthcare AI market in China in terms of revenue in 2023:

Breakdown of the Healthcare AI Market in China by Services Providers in Terms of Revenue in 2023



Source: Frost & Sullivan Analysis, annual reports and prospectuses of listed companies

Notes:

(1) Company A is an AI company founded in 2000 and headquartered in Beijing. It has developed a range of products including a clinical-assisted decision-making system, a fundus image analysis system, a comprehensive medical big data solution, an intelligent pre-diagnosis assistant, and a chronic disease management platform, among others, to serve the entire spectrum of in-hospital and out-of-hospital scenarios. Company A has formed extensive partnerships with hospitals, doctors, HIS vendors, electronic medical record vendors, governments, and regulators, among others. Company A is dual-listed on NASDAQ and the Hong Kong Stock Exchange.

(2) Company B, headquartered in Shanghai and founded in 2011, has regional headquarters and R&D centers in the United States, Malaysia, the United Arab Emirates, and Poland. It is dedicated to providing global customers with a complete range of self-developed, high-performance medical imaging diagnostic and therapeutic equipment, life science instruments, and solutions that span the entire spectrum from basic research to clinical research and medical translation. Company B is listed on the Shanghai Stock Exchange.

(3) Company C is an intelligent voice and AI company founded in 2012 and headquartered in Beijing. It began building the Atlas AI infrastructure in 2016 and subsequently developed a proprietary large model with 60 billion parameters, which was officially released in 2023. This model has become the new core of its technology platform, UniBrain (雲知大腦). Leveraging UniBrain, Company C has launched highly competitive products and solutions that span a broad spectrum of AI application scenarios in smart living and healthcare.

(4) Company D is a healthcare technology platform established in 2017 and headquartered in Beijing. It aims to build the world's leading medical and healthcare brain, the "digital human body," for cardiovascular and cerebrovascular diseases, tumors, and other major common and chronic diseases. It independently researches and develops the "digital doctor" product portfolio, which covers the entire continuum of disease screening, assisted diagnosis, treatment decision-making, and has been successfully implemented in the three key areas of imaging, surgery, and health.

(5) Company E, a public company founded in 1994 and headquartered in Shanghai, has strategically expanded into the Internet + healthcare sector since 2016. It utilizes emerging technologies to develop new healthcare service models, with its business encompassing hospitals, regional health, and Internet + healthcare, among others. Company E's services reach over 6,000 healthcare organizations, including more than 400 tertiary hospitals. Company E is listed on the Shenzhen Stock Exchange.

(6) Company F is a private company established in 2017 in Beijing, specializing in the application of AI technology in medical image recognition, early screening of various malignant diseases, and precise diagnostic solutions. Company F has developed a variety of solutions in medical imaging, medical check-up centers, big data, and internet platforms.

(7) Company G, a private company founded in 2015 and headquartered in Beijing, has developed Dr. Mayson, the core application of its AI solution for hospitals. This application significantly improves healthcare quality by creating a closed-loop system for quality control in clinical diagnosis and treatment decision-making, case management, single-patient quality management, data reporting, clinical diagnosis and treatment risk early warning, and DRG/DIP cost management through real-time data analysis and prompts. Its product line extends to oncology, respiratory, cardiovascular, ICU, and other specialty areas, covering 58 national key monitoring single disease types. Headquartered in Shanghai and founded in 2011, has regional headquarters and R&D centers in the United States, Malaysia, the United Arab Emirates, and Poland. It is dedicated to providing global customers with a complete range of self-developed, high-performance medical imaging diagnostic and therapeutic equipment, life science instruments, and solutions that span the entire spectrum from basic research to clinical research and medical translation.

(8) Company H is a healthcare AI company founded in 2016 and headquartered in Beijing. It utilizes deep learning technology to develop a comprehensive medical AI platform, which includes AI deployment management, AI big data mining for scientific research, and AI clinical application platforms. It aims to create medical AI products that enhance medical quality control, health management, and scientific research and innovation.

(9) Company I is a private company founded in 2016 and headquartered in Shanghai. Company I has combined artificial intelligence technology, big data technology and application scenarios in the healthcare field to provide AI for healthcare applications in China, and based on this, it has developed a series of AI-powered medical data solutions, mainly including hospital solutions, research hospital solutions and health solutions, to drive the construction and improvement of health and medical big data resource systems in healthcare, medical research and other institutions, and assist their transformation and upgrading from informatization to digitization.

The competitors in the chart above include Shanghai United Imaging Healthcare Co., Ltd., Beijing Shenrui Bolian Technology Co., Ltd., Winning Health Technology Group Co., Ltd., Baidu Inc., Unisound AI Technology Co., Ltd., Shukun Technology Co., Ltd., Infervision Medical Technology Co., Ltd., Beijing Huiyun Technology Co., Ltd. and Shanghai Synyi Medical Technology Co. Ltd.

In terms of healthcare AI industry in China, the major players can be classified into two categories by healthcare-related business: (i) comprehensive healthcare AI products and solutions providers, primarily including pure healthcare AI companies and other companies; and (ii) healthcare AI products and solutions providers specialized in areas such as CDSS and AI imaging. The table below sets forth the key differences between the products and solutions offered by examples of major market players of different business scopes.

Comprehensive Healthcare AI Products/Solutions Providers		Specialized Healthcare AI Products/Solutions Providers	
Pure Healthcare AI Companies	**Other Companies***	**Companies Specialized in CDSS**	**Companies Specialized in AI Imaging**
• **Xunfei Healthcare Technology Co. Ltd.** offers AI-empowered healthcare solutions including General Practice CDSS, Medical Insurance Administrative Solutions, Chronic Disease Management Tools, AI-assisted patient management and AI-assisted mobile doctor workbench.	• **Baidu Inc.** provides products/solutions such as Medical Big Data Processing, Fundus Image Analysis system, Intelligent Pre-diagnosis Assistant.	• Beijing Huiyun Technology Co., Ltd.	• Shanghai United Imaging Healthcare Co., Ltd. • Shukun Technology Co., Ltd.
• **Unisound AI Technology Co., Ltd.**, under its healthcare business segment, provides AI-empowered healthcare solutions such as medical record voice entry, medical record quality control, single-disease quality control and medical insurance payment management.	• **Winning Health Technology Group Co., Ltd.** offers healthcare informatization products and Internet medical products.	• Shanghai Synyi Medical Technology Co. Ltd.	• Infervision Medical Technology Co., Ltd. • Beijing Deepwise Science and Technology Co., Ltd.

Note: Mainly including companies whose primary business layout includes healthcare AI as well as other non-AI healthcare-related business segments.

The Company provides AI applications in healthcare institutions, representing the largest segment of the overall healthcare AI market in China with a market size of RMB6.4 billion in 2023. The Company provides a comprehensive range of healthcare institutions focused offerings including CDSS, hospital AI services and intelligent medical insurance solutions, compared to other competitors offering AI applications in healthcare institutions in China. According to Frost & Sullivan, the below table sets forth the layout of the most commonly purchased healthcare institutions focused solutions provided by major players in the industry.

Companies	CDSS	Chronic Disease Management	Hospital AI Services	Post-Discharge Management	Medical Insurance Administrative Solutions	AI Imaging
Xunfei Healthcare Technology Co. Ltd.	✔	✔	✔	✔	✔	✔
Company A	✔	-	✔	✔	-	✔
Company B	-	-	-	-	-	✔
Company C	✔	-	✔	✔	✔	-
Company D	-	-	-	-	-	✔
Company E	✔	-	✔	-	✔	✔
Company F	-	-	-	-	-	✔
Company G	✔	-	-	-	-	-
Company H	-	-	-	-	-	✔
Company I	✔	-	-	-	-	-

Entry Barriers

The healthcare AI industry in China is highly fragmented and competitive. Companies with strong industry know-how and solid customer bases in the healthcare AI industry are equipped with first-mover advantages. New market entrants to the healthcare AI industry in China are confronted with a number of barriers, including:

- ***Industry insight barrier:*** New market entrants often lack sufficient industry insights. Accumulating insights in AI healthcare industry can be challenging due to the complexity and proficiency of experience and know-hows required.

- ***Financial resources:*** The healthcare AI industry requires significant investment in R&D, branding, customer services and compliance, which leads to a longer return of investment, posing challenges for new entrants with relatively limited financial resources.

- ***Interdisciplinary talent:*** Experienced and interdisciplinary professionals are crucial in the healthcare AI industry. Talent with strong AI technology backgrounds as well as solid know-how are in high demand in the healthcare AI industry.

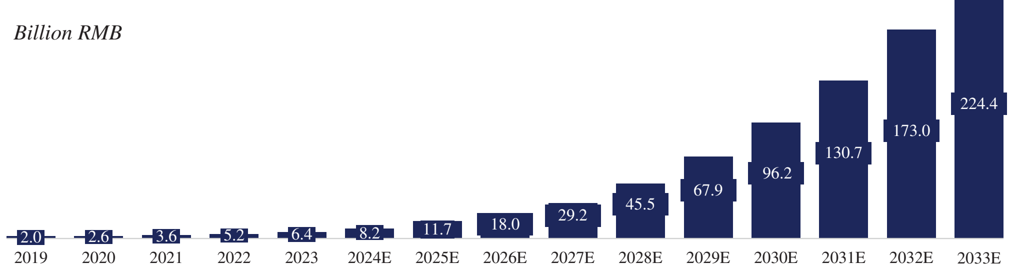
- ***Regulatory requirements:*** The increasingly extensive regulatory requirements in the healthcare AI industry require substantial investment in legal expertise, industry insights and internal controls.

THE AI IN HEALTHCARE INSTITUTION MARKET

AI in healthcare institutions, as part of the market for AI in healthcare institutions and healthcare administrators, is the largest sector in the healthcare AI industry in terms of market size in 2023 and is growing rapidly. The market size of AI in healthcare institutions grew from RMB2.0 billion in 2019 to RMB6.4 billion in 2023 at a CAGR of 32.9%, and is expected to further grow to RMB224.4 billion in 2033 at a CAGR of 42.8% from 2023 to 2033.

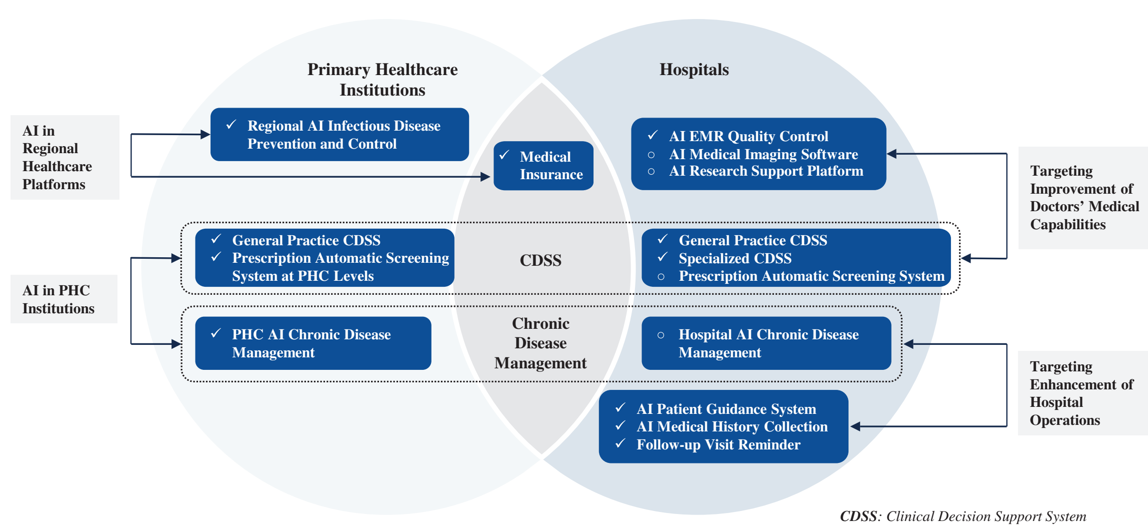
Market Size of AI in Healthcare Institutions in China, 2019-2033E

Period	CAGR
2019-2023	32.9%
2023-2033E	42.8%



Source: China Health Statistical Yearbook, Company Official Websites, Frost & Sullivan Analysis

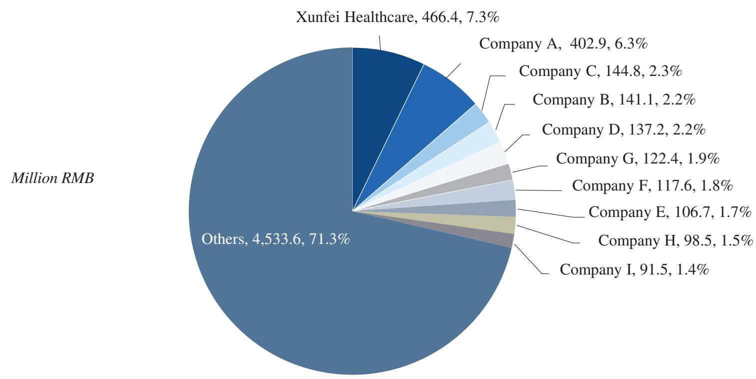
The following diagram sets forth the application scenario of AI in healthcare institutions:



Source: Public Companies' Filings, Company Official Websites, Frost & Sullivan Analysis

The following table sets forth the market size of major companies in the AI in healthcare institution industry in terms of revenue in 2023:

Breakdown of AI in Healthcare Institutions Market by Service Providers in Terms of Revenue in 2023



Source: Frost & Sullivan Analysis, annual reports and prospectuses of listed companies

Note:

(1) Xunfei Healthcare's revenue of RMB466.4 million in 2023 refers to revenue of AI in healthcare institutions which excludes products/services without AI technology (i.e., cloud imaging), and AI products used outside of healthcare institutions (i.e., AI hearing aids), whereas the revenue of RMB556.1 million in 2023 as stated in the Accountant's report is the overall consolidated revenue of the Company.

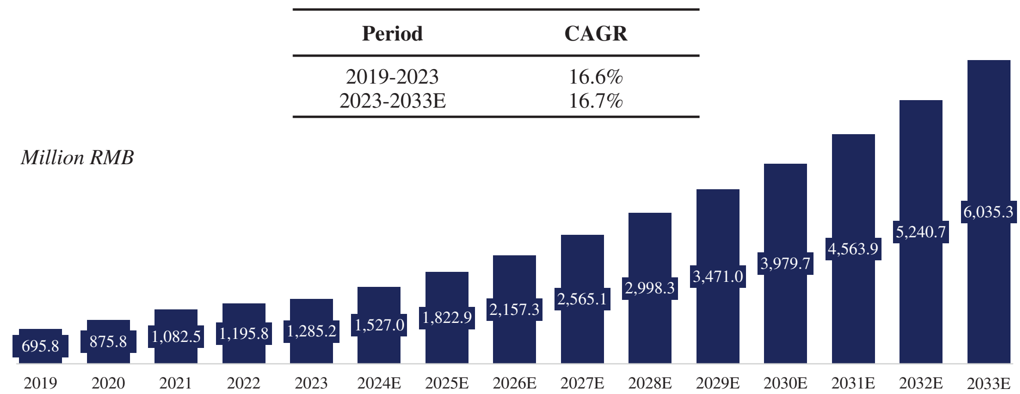
Among the top 10 companies in the AI in healthcare institution market in China by revenue, the lengths of establishment of pure AI healthcare companies, excluding Company A, B and E whose major business lines are not in the AI in healthcare institution market, range from six to 11 years. All of these top pure AI healthcare companies are still incurring net loss.

As of the Latest Practicable Date, there were more than 30 major active players in the CDSS market in China. In addition, the Company ranked first in terms of revenue in the CDSS market in China in 2023, which includes the markets for CDSS in PHC institutions and in hospitals, primarily in relation to its market presence in the market for CDSS in PHC institutions. See "— AI in PHC Institutions Market — Application of CDSS in PHC Institutions" and "AI in Hospitals — Application scenarios of AI in Hospitals."

Application of CDSS in China

CDSS, playing an important role as an AI-powered physician assistant during medical diagnosis, is one of the most typical AI healthcare applications. The market size of CDSS in China increased from RMB695.8 million in 2019 to RMB1,285.2 million in 2023, representing a CAGR of 16.6% from 2019 to 2023. In 2033, the market is expected to further grow to RMB6,035.3 million with a CAGR of 16.7% from 2023 to 2033.

Market Size of CDSS in China, 2019-2033E



Source: Frost & Sullivan Analysis

The following table sets forth the market size of major companies in CDSS industry in China in terms of revenue in 2023:

Breakdown of CDSS Market in China by Providers in Terms of Revenue in 2023

Ranking	Company	Revenue	Market Share
		(RMB in millions)	*(%)*
1	The Company	182.5	14.2
2	Company A	171.7	13.4
3	Company K[(1)]	95.9	7.5
4	Company G	84.0	6.5
5	Company J	45.9	3.6
6	Others	705.2	54.9
	Total	**1,285.2**	**100.0**

Source: Frost & Sullivan Analysis

Note:

(1) Company K is a private company founded in 1997 and headquartered in Chengdu. Company K is deeply engaged in the field of clinical rational drug use, and is one of the earliest enterprises engaged in the research and development and industrialization of clinical rational drug use system in China. Company K has built a high-quality medical knowledge base with high authority, scientificity and immediacy in China, and based on this, it has developed a series of rational medication informatic products to provide a series of technical means for healthcare professionals to prevent medication errors and to improve work quality and efficiency.

In terms of CDSS, the Company develops (1) a general practice version that provides diagnostic assistance for 95% of common diseases in primary care; and (2) a specialized version that covers more than 50 diseases, and has a strong market competitive advantage in disease coverage and penetration rate in PHC institutions.

Manufacturer	Xunfei Healthcare	Company G	Company I	Company A
Launch Year	2016	2015	2016	2018
Targeted Customers	• Mainly primary healthcare institutions • Hospitals	• Mainly Class III hospitals • Used to provide basic CDSS products for primary healthcare institutions	• Mainly Class III hospitals in Jiangsu, Zhejiang, Shanghai	• Smart Hospital: Regional comprehensive hospitals or Class II hospitals • Ai Zhu Yi (愛助醫): Primary healthcare institutions
Product Versions	1. General Practice CDSS product for primary healthcare institutions 2. General Practice CDSS product for hospitals 3. Specialized disease version	1. General Practice CDSS for hospitals 2. General Practice CDSS for primary healthcare institutions 3. Specialized disease version	1. General Practice CDSS suitable for all departments in hospitals 2. Specialized disease version	1. General Practice CDSS for hospitals 2. General Practice CDSS for primary healthcare institutions 3. Specialized disease version
Covered Disease Areas by General Practice Version	• The system provides diagnostic assistance for 95% of diseases (i.e., more than 1,880 diseases, including 129 common diseases) in primary care level.	• The standard primary level version covers 2,000+ diseases • The standard hospital version provides diagnostic assistance for 80% of diseases common in general hospitals.	• The standardized version covers topics of over 1,400 diseases, 2,600 test items, and 30,000 medications.	• Ai Zhu Yi (愛助醫): The system covers 300+ common diseases at primary level. • Smart Hospital: The system covers 5,000+ diseases of general practice.
Covered Disease Areas by Specialized Version	• More than 50 diseases	• ICU related diseases • Oncology • VTE	• VTE • Septicemia	• COPD • Cardiovascular areas such as VTE

AI IN PHC INSTITUTIONS MARKET

Overview

AI can be applied in a broad range of scenarios in PHC institutions, including those relating to CDSS and chronic disease management. In particular, healthcare AI can enhance the service capabilities of PHC institutions, helping them address shortages in medical resources, improve the soundness of diagnoses and enhance the management of chronic diseases. AI in PHC institutions market is a key subsector under the market of AI in healthcare institution and for healthcare administrators.

Entry Barriers of AI in PHC Institutions

New market entrants to the AI in PHC institution industry are confronted with a number of barriers, including:

- ***Data quality and access barriers:*** Quality of data, measured in terms of completeness and accuracy, is key in the training of AI models and provision of solutions. However, data at PHC institutions are often non-standardized, such as those from incomplete EMRs, and so cannot be used by AI directly. Gaining access to data also presents challenges as existing medical knowledge graphs may not adequately cover the range of diseases encountered in PHC institutions.

- ***Technology barriers:*** Datasets, deep learning algorithms and AI models tailored for PHC institutions are crucial for the harmonization of data from different sources. Leading companies in the PHC institution AI industry typically have competitive edges in terms of these key technologies.

Growth Drivers of AI in PHC Institutions

The AI in PHC Institutions industry is expected to be driven by the following factors and trends:

- ***Strong market demand:*** The market demand for AI in PHC institutions is high due to several factors including the rising number of chronic disease patients.

- ***Technological advances:*** Issues such as unstructured clinical data can be addressed via advanced AI technologies.

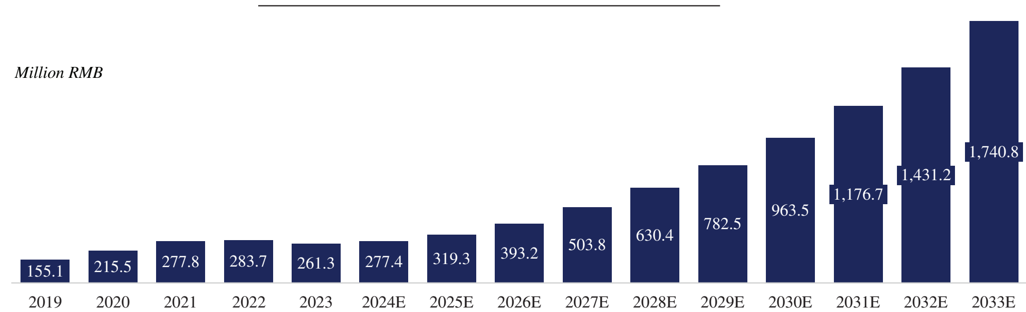
- ***Favorable policies:*** The Chinese government has issued favorable policies, including the Guiding Opinions on Comprehensively Promoting the Construction of Closely Tailored County Medical and Healthcare Communities, issued by NHC in 2023, to encourage the deployment of AI technologies in county-level regions.

Application of CDSS in PHC Institutions

CDSS provides diagnosis recommendations to doctors in PHC institutions who may lack experience or relevant medical knowledge. By enhancing the soundness and efficiency of diagnoses in PHC institutions, AI can address the challenge of the shortage of medical resources within them. The market size of PHC institution CDSS increased from RMB155.1 million in 2019 to RMB261.3 million in 2023 at a CAGR of 13.9%, and is expected to further increase to RMB1,740.8 million in 2033 at a CAGR of 20.9% from 2023 to 2033.

Market Size of PHC Institution CDSS in China, 2019-2033E

Period	CAGR
2019-2023	13.9%
2023-2033E	20.9%



Source: China Health Statistical Yearbook, Public Companies' Filings, Literature Review, Frost & Sullivan Analysis

Note: The forecast part of the data only includes sales of existing types of CDSS, and does not predict the replacement of traditional HIS by CDSS.

The following table sets forth the market size of major companies in the PHC institution CDSS industry in terms of revenue in 2023:

Breakdown of China PHC Institution CDSS Market by Providers in Terms of Revenue in 2023

Ranking	Company	Revenue	Market Share
		(RMB in millions)	*(%)*
1	The Company	160.7	61.5
2	Company A	65.6	25.1
	Others	35.0	13.4
	Total	**261.3**	**100.0**

Source: Frost & Sullivan

Application of AI in Chronic Disease Management

Chronic diseases are defined as conditions that persist for a year or more, necessitating continuous medical care or restricting daily activities.

The chronic disease management industry in China is facing the challenges set forth below:

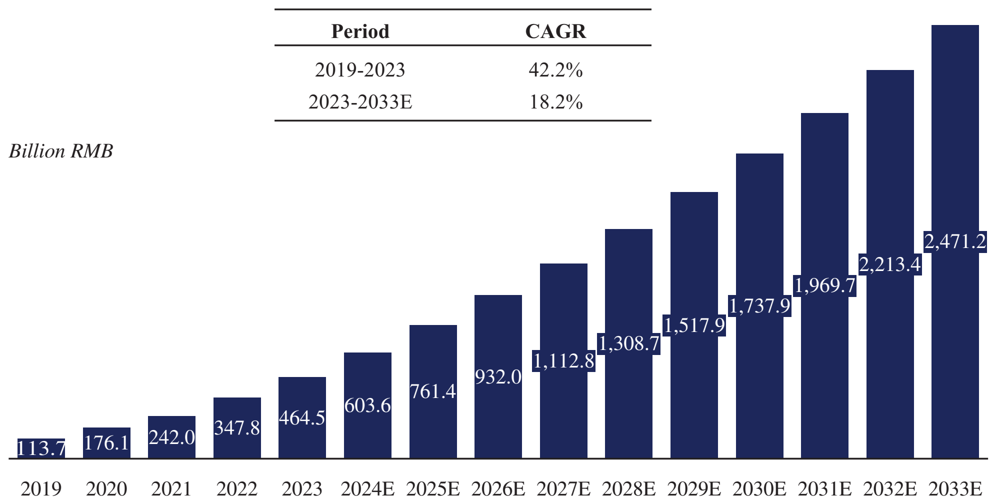
- ***Low level of digitalization:*** The effectiveness and efficiencies of chronic disease management are limited due to the current low level of digitalization.

- ***Shortage of medical resources:*** The limited expertise and resource shortages in PHC institutions lead to potential inaccurate disease diagnosis and lack of patient trust in chronic disease management.

- ***Repeated visits to hospitals:*** Patients often make repeated hospital visits for purposes such as prescription renewals and consultations for commonly seen conditions.

AI can significantly improve the effectiveness and efficiencies of chronic disease management from diagnosis and treatment recommendations to management and prevention. For instance, AI can analyze patient data to predict the likelihood of chronic diseases for early prevention and intervention strategies. The market size of the digital chronic condition management industry in China grew from RMB113.7 billion in 2019 to RMB464.5 billion in 2023 at a CAGR of 42.2%, and is expected to further grow to RMB2,471.2 billion in 2033 at a CAGR of 18.2% from 2023 to 2033.

Market Size of Digital Chronic Condition Management in China, 2019-2033E



Source: China Health Statistical Yearbook, Public Companies' Filings, Frost & Sullivan Analysis

The growth drivers and future trends of AI in chronic disease management are set forth as follows:

- ***Demographic and economic factors:*** China's aging population, increasing disposable income and rising identification and prevalence of chronic diseases drive the growth of market demand for AI in chronic disease management.

- ***Technological advancements:*** Breakthroughs in AI technology are expected to increase efficiencies in personalized chronic disease management and propel the development of new AI models for disease management.

- ***Data-driven healthcare:*** Data in relation to diagnoses, medications, health conditions and lifestyles are expected to improve the quality of care in chronic disease management.

AI IN REGIONAL HEALTHCARE SOLUTIONS

Overview

AI application in regional healthcare mainly includes medical insurance solutions and infectious disease prevention and control. AI-assisted medical insurance solutions can address pain points such as the difficulty of detecting health insurance fraud. AI also plays a vital role in infectious disease prevention and control by supporting early warnings, alerts and responses ("**EWARS**") concerning infectious diseases. AI in regional healthcare solutions is a key sector within the market of AI in healthcare institutions and for healthcare administrators.

AI in Medical Insurance Solutions

The growth drivers and future trends of medical insurance solutions are set forth as follows:

- ***Government policies:*** Government policies on new payment methods and medical cost control are accelerating the penetration of medical insurance in the NHSA and hospitals.

- ***Maturation of medical insurance solutions:*** In response to favorable government policies issued on medical cost control, medical insurance payment management and DRG/DIP payment method reform, different types of players in the healthcare industry in China have entered into the area of health insurance, promoting the implementation of AI-empowered EMR quality control, audit and insurance claim review.

- ***Expansion of application scenarios:*** With AI technology such as NLP, the application scenarios of medical insurance has been expanded and enabled multiple stakeholders, including hospitals and regional healthcare administrators, to supervise health insurance funds utilization.

- ***Collaboration to control costs:*** Collaboration among different stakeholders, including doctors, medical institutions and healthcare administrators, is expected to facilitate the efficient deployment of health insurance funds.

AI in medical insurance solutions has demonstrated the following values:

- ***Preventing overtreatment and insurance fraud:*** AI can detect over-examination and over-treatment, which could be indicators of potential insurance fraud. This application facilitates the efficient deployment of health insurance funds.

- ***Timely alerts at the prior audit session:*** Conventional manual auditing, usually conducted by hospitals based on limited cases, is often conducted after settlement of claims and on a one-off basis. In comparison, medical insurance integrates comprehensive data collected along the full cycle of care, and proactively detects potential risks and raises alerts prior to the settlement of claims.

AI in Infectious Disease Prevention and Control

Infectious disease prevention and control requires extensive resources for supervision, early warnings, alerts and responses. AI plays a critical role in tracking and monitoring data collected from multidimensional sources such as PHC institutions, hospitals and pharmacies. The development of AI in infectious disease prevention and control has been significantly accelerated due to the recent public health incidents, with applications primarily in diagnoses, data reports and R&D.

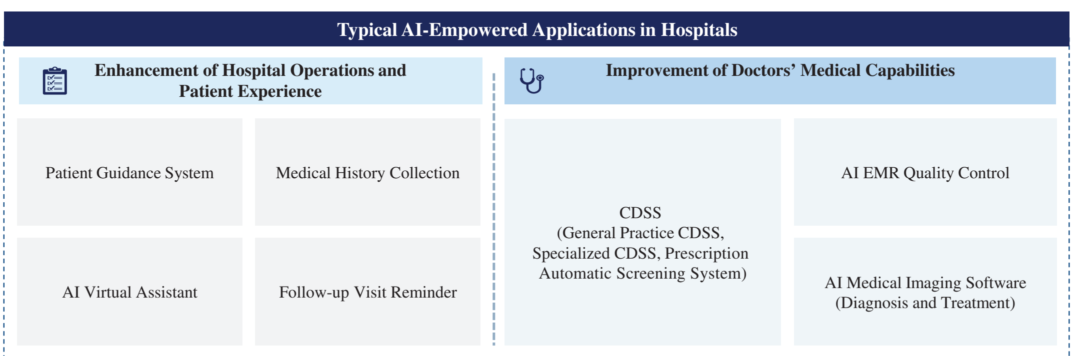
AI IN HOSPITALS

Overview

AI plays a significant role in enhancing the operation of hospital and improving doctors' medical capabilities. The core value of AI in hospitals resides with AI's capability to achieve high-level efficiency with limited resources, which addresses pain points of the current hospital system in China such as the shortage of medical personnel and lack of efficient triage. The use of AI in hospitals can enhance hospital operational capacity and standardize medical practices. AI can be applied in pre-diagnosis, consultation and treatment and post-diagnosis phases. AI in hospitals is another key sector within the market for AI in healthcare institutions and healthcare administrators.

Application scenarios of AI in Hospitals

The application of AI in hospitals primarily functions to: (i) enhance the operational hospitals and patient experience; and (ii) improve doctors' medical capabilities. The following table sets forth the typical applications of AI in hospitals:



Source: Literature Review, Company Official Websites, Frost & Sullivan Analysis

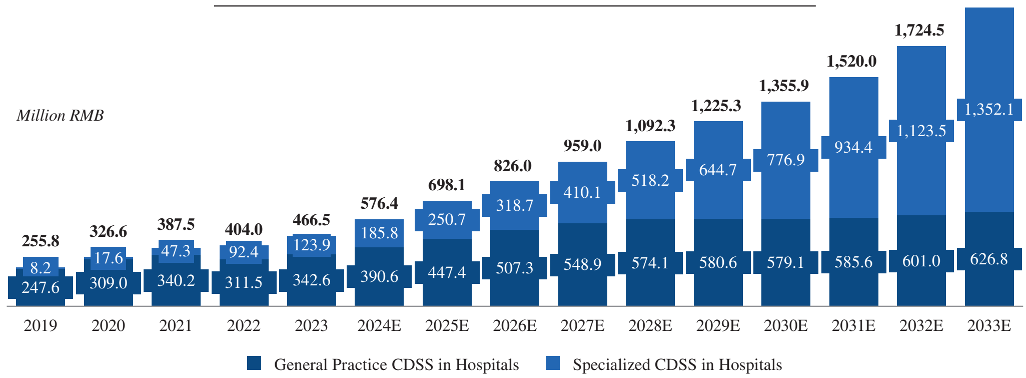
AI facilitates doctor-patient interactions throughout the entire cycle of healthcare service, encompassing pre-diagnosis, diagnosis and post-diagnosis stages. Relevant applications include pre-diagnosis AI patient guidance systems, medical history collection services and AI follow-up services. Service providers may launch diversified products and services to enhance the operation of hospitals and patient experience. For example, offerings that support voice-based interaction can expedite the patient guidance process and improve the user experience.

Applications targeting the improvement of doctors' medical capabilities mainly include CDSS and AI imaging diagnosis and treatment products.

CDSS is a representative application of using AI in hospitals to improve doctors' service capabilities. The market for CDSS in hospitals in China is large and fast-growing. The market size of CDSS in hospitals in China grew from RMB255.8 million in 2019 to RMB466.5 million in 2023 at a CAGR of 16.2%, and is expected to further grow to RMB1,978.8 million in 2033 at a CAGR of 15.5% from 2023 to 2033. Specialized CDSS is the fastest growing sector within the hospital CDSS market and serves a crucial role in the prevention and treatment of complex diseases, including the management and prevention of VTE by assessing patient data, recommending treatment plans and improving guideline compliance. The market size of specialized CDSS in hospitals in China grew from RMB8.2 million in 2019 to RMB123.9 million in 2023 at a CAGR of 97.2%, and is expected to further grow to RMB1,352.1 million in 2033 at a CAGR of 27.0% from 2023 to 2033.

Market Size of Hospital CDSS in China, 2019-2033E

Period	CAGR		
	General Practice CDSS in Hospitals	Specialized CDSS in Hospitals	CDSS in Hospitals
2019-2023	8.5%	97.2%	16.2%
2023-2033E	6.2%	27.0%	15.5%



Note: The forecast part of data only includes the sales of existing types of CDSS, and does not predict the replacement of traditional hospital information systems by CDSS.

Source: China Health Statistical Yearbook, Public Companies' Filings, Literature Review, Frost & Sullivan Analysis

The following table sets forth the market size of major companies in the hospital CDSS industry in terms of revenue in 2023:

Breakdown of China Hospital CDSS Market by Providers in Terms of Revenue in 2023

Ranking	Company	Revenue	Market Share
		(RMB in millions)	*(%)*
1	Company A	106.1	22.7
2	Company G	84.0	18.0
3	Company I	45.9	9.8
4	Company J[(1)]	40.7	8.7
5	The Company	21.8	4.7
	Others	168.1	36.0
	Total	**466.6**	**100.0**

Source: Frost & Sullivan

Note:

(1) Company J is a public company founded in 2006 and headquartered in Beijing. Its business lines cover various segments of the healthcare industry, including clinical healthcare, hospital management, medical research, doctor-patient interaction, integration of medical and elderly care, and optimization of medical payments. The company is dedicated to providing comprehensive information solutions to healthcare-related institutions. Company J is listed on the Shanghai Stock Exchange.

The growth drivers and future trends of AI in hospitals are set forth as follows:

- ***High market demand:*** The demand for effective solutions, including those using AI to improve operational efficiency at hospitals, is high.

- ***Application along the cycle of care:*** Applications of AI in hospitals have been further diversified and integrated to penetrate the entire cycle of healthcare service.

- ***Systemic solution integration:*** There is a growing trend towards integrating different services across all healthcare stages to create comprehensive AI hospital solutions. This allows for the interconnection of medical data within the healthcare ecosystem and encourages the development of new solutions.

AI INTELLIGENT HEARING AIDS MARKET

The hearing aids market in China is mainly dominated by medical hearing aids sold to patients with medium to severe hearing loss. While the market size of the hearing aids industry in China in terms of revenue has exceeded RMB7.0 billion in 2023, the penetration of hearing aids among patients with hearing loss is still low in China compared with developed countries. The relatively low penetration of hearing aids in China is mainly due to the high cost for treatment of hearing loss and limited access to professionals and hearing aids. The number of middle-aged and elderly people with disabling hearing loss in China is projected to grow from 47.3 million in 2023 to 53.6 million in 2030 at a CAGR of 1.8%. The number of middle-aged and elderly people with disabling hearing loss globally is projected to grow from 288.9 million in 2023 to 336.9 million in 2030 at a CAGR of 2.2%.

The application of AI in hearing aids is still limited both globally and in China. However, AI hearing aids are a more affordable option for people suffering from hearing loss, as they can be offered at a much lower price than traditional medical hearing aids. Traditional hearing aids primarily help users by amplifying sound but often fall short in handling complex auditory environments and reducing background noise. In contrast, AI hearing aids utilize advanced algorithms and technology to analyze and process sounds in real time, offering a clearer and more natural listening experience. Additionally, the software-centric nature of AI hearing aids allows for regular updates and improvements, reducing the need for physical modifications. This enables users to obtain high-performance hearing aids at a more affordable price. Meanwhile, e-commerce sales platforms such as Tmall and JD.com are making hearing aids more accessible. Therefore, the sales of hearing aids can be expected to continue to grow rapidly, especially among patients with low to medium hearing loss, and accordingly the penetration of AI in hearing aids products can be expected to increase rapidly.

CLOUD IMAGING

Cloud imaging can be utilized to serve patients, hospitals and doctors via shared imaging results stored on cloud infrastructure. They can also optimize the use of medical resources. For example, patients in regions short of medical resources can receive services from doctors at hospitals of a higher class in regions with better medical resources. Nevertheless, mutual recognition of imaging data results is in a nascent stage. Therefore, patients visiting different medical institutions may have to be exposed to radiation multiple times when seeking medical services. The establishment of cloud imaging system facilitates seamless collaboration across medical institutions and across different tiers, offering patients a more convenient option for healthcare service experience. The cloud imaging industry, though not a part of the healthcare AI industry, has seen an increasing number of applications of AI technologies in recent years. For example, AI algorithms can be trained to recognize patterns in medical images for diagnostic assistance.

The Company ranked third in the cloud imaging industry with a market share of 8.8% in terms of the number of healthcare institutions covered in China in 2023.

SOURCE OF INDUSTRY INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to pay a total of RMB780,000 in fees and expenses for the preparation and use of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this prospectus to provide potential investors with a more comprehensive presentation of the industries in which we operate. Unless otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. During the preparation of the market research report, Frost & Sullivan performed both (i) primary research, which involved in-depth interviews with leading industry participants and industry experts; and (ii) secondary research, which involved reviews of company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Our Directors confirm that, after making reasonable enquiries, there has been no adverse change in the market information since the date of the Frost & Sullivan Report that may qualify, contradict or have a material impact on the information in this section.

REGULATORY OVERVIEW

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

REGULATIONS ON FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the *Catalog of Encouraged Industries for Foreign Investment* (《鼓勵外商投資產業目錄》) (the "**Encouraged Catalog**"), and the *Special Administrative Measures (Negative List) for Foreign Investment Access* (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**"), which are promulgated and amended from time to time by the Ministry of Commerce (the "**MOFCOM**") and the National Development and Reform Commission (the "**NDRC**"), and together with the *Foreign Investment Law of PRC* (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") and its respective implementation rules and ancillary regulations.

In March 2019, the Foreign Investment Law was promulgated by National People's Congress (the "**NPC**") and came into effect on January 1, 2020, which replaced three then existing laws on foreign investments in China, namely, the *Sino-Foreign Equity Joint Venture Enterprise Law of PRC* (《中華人民共和國中外合資經營企業法》), the *Sino-Foreign Cooperative Joint Venture Enterprise Law of PRC* (《中華人民共和國中外合作經營企業法》) and the *Wholly Foreign-owned Enterprise Law of PRC* (《中華人民共和國外資企業法》). The Foreign Investment Law, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition. According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list," and the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments. To ensure the effective implementation of the Foreign Investment Law, the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》) (the "**Implementation Regulations**"), was promulgated by State Council in December 2019 and came into effect on January 1, 2020, which further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

The NDRC and the MOFCOM jointly issued the *Special Administrative Measures (Negative List) for Foreign Investment Access (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**") on September 6, 2024 and will come into effect on November 1, 2024, to replace the previous encouraging catalog and negative list thereunder. Pursuant to the Foreign Investment Law, the Implementation Regulations and the 2024 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments. The 2024 Negative List sets out 29 industries which foreign investments are prohibited or restricted, including that medical institutions are limited to the form of joint ventures.

According to the *Measures for the Security Review of Foreign Investment* (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

Foreign Investment in Valued-Added Telecommunications Business

According to the 2021 Negative List, the value-added telecommunications services (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers) fall into the "restricted" category. Foreign direct investment in telecommunications companies in mainland China are governed by the *Provisions on Administration of Foreign-Invested Telecommunications Enterprises* (《外商投資電信企業管理規定》), which was promulgated by the State Council on December 11, 2001, and revised in 2008, 2016, 2022. The Provisions on Administration of Foreign-Invested Telecommunications Enterprises revised in 2022 abolishes the requirements of the main investor who must demonstrate a good track record and experience in operating a value-added telecommunication business and requires foreign-invested value-added telecommunications enterprises in mainland China to be established as Sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

The *Telecommunications Regulations of the PRC* (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), promulgated on September 25, 2000 by the State Council and most recently amended on February 6, 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licences prior to the commencement of its operation. The Telecommunications Regulations categorize all telecommunication services in China as either basic telecommunications services or value-added telecommunications services and operators of value-added telecommunications services shall obtain value-added telecommunications business operation licenses from the Ministry of Industry and Information Technology (the "**MIIT**") or its provincial branches prior to the commencement of such services.

Moreover, according to the *Classification Catalog of Telecommunications Services (2015 version)* (《電信業務分類目錄(2015年版)》) (the "**Classification Catalog**"), which was promulgated by the MIIT, in 2015, and latest amended in 2019, information services provided for users through the public communication network or the Internet by relying on the information collection, development, processing and information platform construction are value-added telecommunications services.

As a subcategory of the value-added telecommunications services, internet information services are regulated by the *Administrative Measures on Internet Information Service* (《互聯網信息服務管理辦法》), which was promulgated by the State Council in 2000 and was last amended in 2011. Internet information services are divided into services of commercial nature and non-commercial nature. Commercial internet information services refer to for-profit services which provide information to or create web pages for online users through the Internet, and a commercial internet information service provider shall obtain a license to operate value-added telecommunications business in internet-based information services from appropriate telecommunications authorities.

Furthermore, the *Notice on Regulating the Use of Domain Names in Internet Information Services* (《關於規範互聯網信息服務使用域名的通知》), issued by the MIIT on November 27, 2017 and came into effect on January 1, 2018, requires internet information service providers to register and own the domain names they use in providing internet information services.

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

REGULATIONS ON SMART HOSPITAL

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

According to the *Opinion Concerning the Promotion of the Development of Internet Plus Medical and Health* (《關於促進"互聯網+醫療健康"發展的意見》), promulgated and implemented on April 25, 2018, by the General Office of the State Council, which promotes "internet +" AI-based application services such as research and develop an AI-based decision support system for clinical diagnosis and treatment, as well as apply smart medical image recognition, pathological typing and multidisciplinary consulting, and the application of smart voice technology in various healthcare scenarios to improve the efficiency of medical services.

REGULATIONS ON MEDICAL DEVICES

The *Measures on the Supervision and Administration of the Business Operations of Medical Devices* (《醫療器械經營監督管理辦法》) (the "**Measures on Medical Devices**"), which was promulgated on July 30, 2014, and was latest amended by the State Administration for Market Regulation (the "**SAMR**") on March 10, 2022, apply to any business activity of medical devices and its supervision and administration within the territory of mainland China. Pursuant to the Measures on Medical Devices, the National Medical Products Administration (the "**NMPA**") shall be responsible for the supervision and administration of nationwide business operations concerning medical devices. Medical devices are divided into three classes based on the degree of risk. Entities engaged in distribution activities of Class III medical devices must obtain a medical device operating license and entities engaged in distribution activities of Class II medical devices shall complete filings with the competent local medical products administration, while entities engaged in distribution activities of Class I medical devices are not required to conduct any filing or obtain any license. In addition, in accordance with *Regulations on Supervision and Administration of Medical Devices* (《醫療器械監督管理條例》), promulgated by the State Council on February 9, 2021, Class III and Class II medical devices shall be registered, respectively with the NMPA and its local branches at provincial-level, while Class I medical devices shall be filed with the competent local MPA. In the event that the business operator distribute Class III medical devices without a medical device operating license or the business operator distribute Class II or Class III medical devices that are not registered with the NMPA or its local branches, the MPA of the local people's governments at or above the county level may confiscate illegal proceeds, illegally produced or operated medical devices, and tools, equipment, raw materials and other articles that are used for the illegal production or operation and impose fine. In serious circumstances, the application for a medical device permit filed by the relevant liable person or the business operator will not be accepted within ten years.

Medical device business in the PRC is also subject to the *Good Supply Practice for Medical Devices* (《醫療器械經營質量管理規範》) issued by the China's Food and Drug Administration (the "**CFDA**," now known as NMPA) on December 12, 2014, and latest amended by the NMPA on December 4, 2023 and became effective on July 1, 2024, according to which enterprises engaging in medical device business shall carry out risk management based on the risk categories of medical devices operated by it, take corresponding quality management measures and keep relevant records or archives. The medical device business enterprises, unless otherwise provided therein, shall also have business premises and warehouses that match its business scope and scale, and the area of business premises and warehouses shall meet the business requirements. The storage operation area and auxiliary operation area of medical equipment shall be separated from office area and living area, or quarantine measures shall be taken for the storage operation area and auxiliary operation area. Also, medical device business enterprises shall strengthen the management of return of goods to ensure the quality and safety of medical devices at the stage of return and prevent the mixing in of medical devices that do not meet legal requirements.

On December 20, 2017, the CFDA promulgated the *Measures for Supervision and Administration of Online Sales of Medical Devices* (《醫療器械網絡銷售監督管理辦法》) (the "**Online Medical Devices Sales Measures**"), which became effective on March 1, 2018. According to the Online Medical Devices Sales Measures, enterprises engaged in online sales of medical devices must be medical device manufacture and operation enterprises with medical devices production licenses or operation licenses or being filed for record in accordance with laws and regulations, unless such licenses or record-filing is not required by laws and regulations. Pursuant to the Online Medical Devices Sales Measures, enterprises engaging in online sales of medical devices through its own website shall obtain a Qualification Certificate for Internet Drug Information Services and have office premises which correspond to their scale of operation, and satisfy technical criteria such as data backup, malfunction recovery etc. And enterprises engaging in online sales of medical devices must display its medical device production and operation license or record-filing certificate on visible place of its homepage, and the information of the medical devices published on the website shall be consistent with the related contents registered or filed for record; in addition, the business scope shall not exceed the scope of its production and operation license or the scope filed for record. For the enterprises to provide a third-party platform for provision of medical devices online transaction services, such enterprises shall be filed for record with the local provincial medical products administration and shall verify the materials submitted by any enterprise applying for entering the platform. According to the Measures Regarding the Administration of Drug Information Service over the Internet (《互聯網藥品信息服務管理辦法》) promulgated by CFDA on July 8, 2004 and amended on November 17, 2017, the Internet drug information services is to provide drug (including medical device) information services to online users, which is divided into commercial internet drug information services and non-commercial internet drug information services. The validity term for the Qualification Certificate for Internet Drug Information Services is five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant governmental authorities.

Pursuant to the *Notice of Issuing the Opinions on Reform of Pricing System of Pharmaceuticals and Medical Services* (《關於印發改革藥品和醫療服務價格形成機制的意見的通知》), which was jointly promulgated by the NDRC, the Ministry of Health (repealed), and the Ministry of Human Resources and Social Security and came into effect on November 9, 2009, the management on the pricing of medical devices will be strengthened.

REGULATIONS ON PRODUCT QUALITY AND CONSUMER PROTECTION

In accordance with the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on February 22, 1993, and most recently amended on December 29, 2018, the seller assumes responsibility for the repair, replacement, or return of the sold product under the following circumstances: (i) the product lacks the essential properties for its intended use without prior clear indication; (ii) the product does not meet the stated standards displayed on the product or its packaging; or (iii) the product does not match the quality as described in the product information or physical sample. In cases where a consumer incurs losses due to the purchased product, the seller is obligated to compensate for these losses. Under the *Civil Code of the PRC* (《中華人民共和國民法典》) (the "**Civil Code**"), promulgated by the National People's Congress of the PRC on May 28, 2020, and became effective on January 1, 2021, manufacturers and commercial sellers bear liability for physical injury or property loss resulting from product defects. The affected party has the right to seek compensation from either the manufacturer or the commercial seller.

The *Law of the PRC on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》) promulgated by the SCNPC on October 31, 1993, which was latest amended on October 25, 2013, sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the *Law of the PRC on the Protection of Consumer Rights and Interests* may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, restoring reputation and even subject the business operators to criminal penalties. Where the operators of the online trading platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers, whose legitimate rights and interests are harmed in the purchase of goods or receipt of services rendered through an online trading platform, may also claim damages to the providers of the online trading platforms. Operators of online trading platforms that clearly knew or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures should bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services on the demand of consumers. If business operators knowingly provide substandard or defective products or services, causing death or serious damage to the health of consumers or other victims, the victims shall have the right to require compensation for their losses and to claim punitive compensation of not more than two times the amount of losses incurred.

REGULATIONS ON THE SALE OF PRODUCTS

Anti-Unfair Competition

The *Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC on September 2, 1993, and effective from December 1, 1993, with its most recent amendment becoming operative on April 23, 2019, delineates essential measures aimed at curbing unfair competition and preserving market order. These measures encompass the prohibition of unjust practices such as misleading prize promotions and dumping, which are designed to eliminate market competitors. According to the aforementioned law, operators are strictly prohibited from offering bribes to employees of counterpart units, units or personnel entrusted by counterparts handle the relevant matters, or exerting undue influence on counterpart units or personnel to secure commercial opportunities or gain competitive advantages. However, operators are permitted to openly provide discounts to trading counterparts or commissions to intermediaries during their business transactions. It is imperative for operators to maintain accurate records of payments made to trading counterparts and intermediaries.

In the event of violations against the provisions outlined in Article 7 of the Law, wherein operators engage in bribery, regulatory authorities are empowered to confiscate the illicit gains obtained by the operators. Additionally, depending on the severity of the circumstances, fines ranging from RMB100,000 to RMB3,000,000 may be imposed. In cases of egregious violations, the revocation of business licenses is a potential consequence. The *Anti-Unfair Competition Law of the PRC* underscores the commitment of the PRC to fostering a competitive market environment characterized by integrity, fairness, and adherence to ethical business practices.

Advertising

Under the *Advertisement Law of the PRC* (《中華人民共和國廣告法》), enacted by the SCNPC on October 27, 1994, and effective from February 1, 1995, with the most recent amendment becoming operative on April 29, 2021, stringent regulations are in place to ensure the integrity and accuracy of advertising content. According to this legislation, advertisements are strictly prohibited from containing false information or engaging in practices that could deceive or mislead consumers.

Pursuant to the *Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose* (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) promulgated by the SAMR on December 24, 2019, which came into effect on March 1, 2020, the content of the medical device advertisements shall be based on the registration certificate or the recordation proof. Medical device advertisement involving the name, scope of application, mechanism of action, or structure and composition of the medical device must not exceed the scope of the registration certificate or the recordation proof. The advertisement of a medical device shall be true and lawful, and its content shall not be false, exaggerated or misleading. A publisher of a medical device advertisement shall verify approval documents and their authenticity prior to the publication. If no approval document was obtained or the authenticity of any approval document has not been verified or the content of the advertisement is inconsistent with the approval documents, such medical device advertisement shall not be published.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

Privacy Protection

Pursuant to the *Civil Code*, personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others.

Further, the *Ninth Amendment to the Criminal Law of the PRC* (《中華人民共和國刑法修正案(九)》), which issued by the SCNPC on August 29, 2015, and became effective on November 1, 2015, stipulates that any network service provider that fails to fulfill the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) sells or provides personal information to others unlawfully or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

On August 20, 2021, the SCNPC promulgated the *Personal Information Protection Law of PRC* (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") and became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) purpose of processing personal information, processing method, type of personal information processed and retention period; (iii) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (iv) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorized access and personal information leakage, tampering and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial-level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than RMB50 million or less than 5% of the previous year's turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business license; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

Internet Information Security

In recent years, the PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. The *Decisions on Protection of Internet Security enacted by the SCNPC* (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) in 2000, as amended on August 27, 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby damaging the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorization, causing the computer network or communication system to fail to operate normally; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

On July 1, 2015, the SCNPC issued the *National Security Law of the PRC* (《中華人民共和國國家安全法》), which came into effect on the same day, pursuant to which the state shall safeguard the sovereignty, security and development interests of the state cyberspace, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the *Cybersecurity Law of the PRC* (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**") and become effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures pursuant to the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

On June 10, 2021, the SCNPC promulgated the *Data Security Law of PRC* (《中華人民共和國數據安全法》) (the "**Data Security Law**") which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility. The Data Security Law stipulates the measures to support and promote data security and development, to establish and optimize the national data security management system and to clarify organizations' and individuals' responsibilities in data security. The Data Security Law established a tiered data protection system in terms of their importance to economic development as well as the potential damages to national security, public interests and the legitimate rights of individuals and entities by any illegal data activities. Data categorized as "important data," which was not defined under the Data Security Law but will be determined by local regulators in a form of "important data catalog," shall be treated with higher level of protection. While it focuses largely on data protection from a national security and sovereignty perspective, and provides mostly generic provisions without specific operational rules and implementing mechanisms, the Data Security Law does require processors of important data to appoint a "data security officer" and a "management department" to take charge of the data security responsibilities. In addition, processors of important data are required to periodically evaluate the risk of its data activities and send risk assessment report to relevant supervising authorities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China, and the General Office of the State Council jointly promulgated the *Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law* (《關於依法從嚴打擊證券違法活動的意見》). The opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and improve the legislation on data security, cross-border data transmission and confidential information management.

On November 14, 2021, the CAC published the *Administration Regulations on Cyber Data Security (Draft for Comments)* (《網絡數據安全管理條例(徵求意見稿)》), which stipulated that data processing entities should apply for cybersecurity review in the event that, among others, its listing in Hong Kong affects or may affect national security. On September 30, 2024, the State Council published the *Administration Regulations on Cyber Data Security* (《網絡數據安全管理條例》) (the "**Data Security Regulations**"), which will come into effect on January 1, 2025. The Data Security Regulations reiterate and refine the general regulations for cyber data processing activities and rules of personal information protection, important data security protection, cyber data cross-border transfer security management, and the responsibilities of online platform service providers. In addition, the officially promulgated Data Security Regulations do not specifically include the requirement that cyber data processing entities seeking a listing in Hong Kong that affects or may affect national security should apply for a cybersecurity review, as the requirement originally set forth in the draft regulations published on November 14, 2021. Instead, the officially promulgated regulations generally provide that cyber data processors whose cyber data processing activities affect or may affect national security shall be subject to national security review in accordance with the relevant regulations.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the *revised Cybersecurity Review Measures* (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**") which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that the purchase of cyber products and services or network platform operators that engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) the relevant regulatory authorities may initiate cybersecurity review if such regulatory authorities determine that the issuer's network products or services, or data processing activities affect or may affect national security.

On July 7, 2022, the CAC promulgated the *Measures for the Security Assessment of Cross-border Data Transfer* (《數據出境安全評估辦法》), which takes effect on September 1, 2022, and requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to the relevant law to an overseas recipient shall conduct security assessment. The Measures for the Security Assessment of Cross-border Data Transfer provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial-level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (i) where the important data are transferred to an overseas recipient; (ii) where the personal information is transferred to an overseas recipient by an operator of critical information infrastructure or a data processor that has processed personal information of more than one million people; (iii) where a data processor provides personal information to an overseas recipient if such data processor has already provided overseas the personal information of 100,000 people or sensitive personal information of 10,000 people in total since January 1 of the preceding year; or (iv) other circumstances under which security assessment of outbound data transfer is required as prescribed by the national cyberspace administration.

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), effective on the date of promulgation. The provisions provide several exemptions from undergoing data security assessment, obtaining personal information protection certification or entering into standard contract for outbound transfer of personal information for businesses. These exemptions include, among others, the scenario where a data processor, other than a critical information infrastructure operator, has cumulatively transferred overseas personal information, excluding sensitive personal information, of fewer than 100,000 individuals since January 1 of the current year. A data processor, other than a critical information infrastructure operator, shall enter into a standard contract with overseas recipients for the cross-border transfer of personal information or obtain certification for personal information protection if since January 1 of the current year, the data processor has cumulatively transferred to overseas recipients (a) personal information of more than 100,000 but less than 1,000,000 individuals, excluding sensitive personal information, or (b) sensitive personal information of less than 10,000 individuals. The provisions also explicitly state that data processors are not required to conduct data security assessment for cross-border transfer of important data if the data has not been notified or published as important data by relevant departments or regions.

On December 31 2021, the CAC, the MIIT, the Ministry of Public Security, the SAMR jointly promulgated the *Administrative Provisions on Internet Information Service Algorithm Recommendation* (《互聯網信息服務算法推薦管理規定》), which became effect on 1 March 2022. The Administrative Provisions on Internet Information Service Algorithm Recommendation implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, and stipulates that algorithm recommendation service providers with public sentiment attributes or social mobilizing capability shall file with the CAC within ten business days from the date of providing such services.

On November 25, 2022, the CAC, MIIT and the Ministry of Public Security promulgated the *Administrative Provisions on Deep Synthesis of Internet Information Service* (互聯網信息服務深度合成管理規定), which took effect on January 10, 2023. The "deep synthesis technology" provided in such provisions refers to the technology to generate text, graphics, radio, video, virtual scenes, among others, with the use of deep learning and virtual reality. The measures emphasize that the deep synthesis services shall not be utilized for illegal activities prohibited by laws and regulations, and specifically, the related providers of such deep synthesis services shall (i) establish and improve control systems in regard to user registration, algorithm review, technological ethic review, information public review, data security, personal information protection, anti-telecom and online fraud, emergency disposal, etc. and hold safe and controlled technical protection measures; (ii) formulate and publicize related management rules and platform pacts, improve service agreements, perform management responsibilities in accordance with laws and agreements, and inform with explicit methods the technical supporters and users of the deep synthesis of their respective information safety obligations.

On July 10, 2023, the CAC together with other relevant authorities, released the *Provisional Administrative Measures for Generative Artificial Intelligence Services* (《生成式人工智能服務管理暫行辦法》) ("**Generative AI Services Measures**"), which came into effect on August 15, 2023 and mainly impose compliance requirements on providers of generative AI services. According to the Generative AI Services Measures, individuals or organizations that provide generative AI services of text, image, audios, videos and other content shall be responsible as the producers of such network information content and as the personal information processors to protect any personal information involved. Providers of generative AI services shall enter into service agreements with users registering for their generative AI services and shall adopt effective measures to prevent minor users from over-relying or addicting to generative AI services. In the event where illegal content or users engaging in illegal activities using generative AI services are discovered, the generative AI services providers are required to take appropriate measures, including stopping the generation of such illegal content and suspending or terminating the provision of services, undergo rectifications, keep relevant records and report to the competent authority. Any provider of generative AI services with public sentiment attributes or social mobilizing capability shall conduct security assessment and complete certain filings in accordance with relevant regulations. Providers of generative AI services may be subject to penalties for non-compliance, including warning, public denouncement, rectification orders and suspension of the provision of relevant services.

Our PRC Legal Advisors are of the view that the Generative AI Services Measures are applicable to us given the fact that we provide text generation services empowered by our LLM model directly to the public within the territory of the PRC through our Xunfei Xiaoyi App and Mini Program, which the users may register and log into with their mobile phone numbers. We have implemented a series of corresponding actions in response, including:

- Establishing internal policies to ensure the use of data from legitimate sources.
- Formulating data annotation guidelines and providing necessary training to the annotators.
- Implementing content review measures to examine generated content and prevent the occurrence of illegal or non-compliant material.

- Entering service agreements with users of our generative artificial intelligence services related products i.e., Xunfei Xiaoyi App and Mini Program detailing the content of services provided and clarifying the rights and obligations of both parties.

- Taking necessary security measures to protect the personal information of users who use our generative artificial intelligence services related products, and providing a corresponding pathway for users to exercise their rights to personal information. (For example, users may submit request through Xunfei Xiaoyi App and Mini Program or by calling our customer service hotline to exercise their rights to access, rectify, delete or obtain a copy of their personal information, withdraw consent to process personal information, cancel user accounts, etc.)

Regarding the algorithms associated with our generative artificial intelligence services, we have completed the algorithm filing for the "Generative Synthesis Class — Technical Supporter" algorithm and the "Generative Synthesis Class — Service Provider" algorithm. These algorithms are designed to generate text responses based on user inputs, addressing users' healthcare inquiries and imparting healthcare knowledge to users.

Our Xunfei Xiaoyi APP and Xunfei Xiaoyi mini program have completed the Internet information service security assessment and the relevant assessment reports submitted through the National Internet Security Management Service Platform have passed the review by relevant regulator.

During the Track Record Period and as of the Latest Practicable Date, we have not been subject to any material administrative penalties, mandatory rectifications or other sanctions imposed by any competent regulatory authorities in relation to our AI services and algorithmic services, nor have we been subject to or involved in any investigations, or received any material inquiry, examination, warning or interview in such respect. We have obtained a written compliance certificate issued by the local counterpart of CAC in Hefei City, Anhui Province, which confirms that during the period from January 1, 2021 to February 27, 2024, the Company has not been subject to any administrative penalty in respect of network information security, network operation security and personal information protection from the local counterpart of CAC in Hefei City, Anhui Province.

In light of the above and the abovementioned actions we have taken in response to the Generative AI Services Measures and other relevant regulations on the management of generative AI services (together as the "Relevant Regulations"), our PRC Legal Advisers, our Joint Sponsors and our Directors are of the view that we had complied with the Relevant Regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. Our Joint Sponsors and our Directors are therefore of the view that the Relevant Regulations would not have material adverse impact on us.

On September 7, 2023, MST together with other relevant departments, jointly promulgated the *Measures for Ethical Review of Science and Technology (for Trial Implementation)* (科技倫理審查辦法(試行)) (the "**Ethical Review Measures**"), which came into effect on December 1, 2023, according to which, any universities, scientific research institutions, medical and health institutions, and enterprises engaged in "ethically sensitive" science and technology activities in certain areas, including AI, must establish a science and technology ethical review committee. The Appendix of the Ethical Review Measures set out a special list of science and technology activities that shall be subject to (i) the preliminary review by the ethical review committee; and (ii) the additional expert review by the local or relevant industry-competent department. Science and technology activities that fall under such special list include, among other things, the R&D of algorithm models, applications and systems with public sentiment attributes or social mobilizing capability, and R&D of automated decision-making systems with a high degree of autonomy for scenarios with safety or personal health risks. In addition, the obligor is required to complete certain registration requirements, such as to register (i) its ethical review committee within 30 days after establishment; and (ii) its science and technology activities that require additional expert review within 30 days after clearance of ethical review, in each case on the National Science and Technology Ethics Management Information Registration Platform established by MST. The registration should be updated in time when the relevant contents change.

We have implemented a series of corresponding actions in response, including:

- We have established a Science and Technology Ethics (Review) Committee responsible for conducting ethical reviews of scientific and technological activities.

- We have registered the establishment of our Science and Technology Ethics (Review) Committee with the National Science and Technology Ethics Management Information Registration Platform.

- We have developed internal policies that set out management requirements related to the activities of the science and technology ethics review.

- We have conducted an ethical review of the development activities of our Xunfei Spark Medical Model and have generated review opinions.

Medical Information Protection

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

On June 21, 2016, the General Office of the State Council promulgated the *Guiding Opinions on Promoting and Regulating the Application and Development of Healthcare Big Data* (《關於促進和規範健康醫療大數據應用發展的指導意見》), which stipulates that the big data on health and medical treatment is a significant fundamental strategic resource and the State is to promote the sharing and disclosure of big data resources on health and medical treatment, encourage medical and health institutions to promote the collection and storage of big data on health and medical treatment, enhance application support and technical support for operation and maintenance, unblock the data resource sharing channels, accelerate the construction and perfection of an underlying database focusing on electronic health records, electronic medical records, and electronic prescriptions of residents, deepen the application of big data on health and medical treatment in all respects, and a mechanism for sharing healthcare big data among various governmental authorities, including health authorities, shall be established.

REGULATIONS ON GOVERNMENT PROCUREMENT

Pursuant to the *Government Procurement Law of the PRC* (《中華人民共和國政府採購法》) issued by SCNPC, which is promulgated on June 29, 2002 and recently amended on August 31,2014, methods of government procurement including public invitation for bids and private invitation for bids. *The Regulations for Implementation of the Government Procurement Law of the PRC* (《中華人民共和國政府採購法實施條例》) were promulgated by the State Council on January 30, 2015, and became effective on March 1, 2015. These laws and regulations set out specific rules governing the contract transfer and sub-contracting activities that may occur in the government procurement.

The Ministry of Finance issued the *Administrative Measures on Bidding for Government Procurement of Goods and Services* (《政府採購貨物和服務招標投標管理辦法》) on August 11, 2004, which was amended on July 11, 2017, and issued the *Administrative Measures on Bidding for Government Procurement of Goods and Services (Draft for comments on the revised draft)* (《政府採購貨物和服務招標投標管理辦法（修訂草案徵求意見稿）》) on April 30, 2021, to further regulate the procurement activities of the parties involved in government procurement, and strengthen the supervision and administration of bidding activities in government procurement of goods and services.

REGULATIONS ON LEASING

According to the Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to rescind the contract if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the *Administrative Measures on Leasing of Commodity Housing* (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

According to the *Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version)* (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect on January 1, 2021, if the ownership of the leased premises changes during lessee's possession in accordance with the terms of the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee's realization of the mortgage right.

REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

According to the *Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the *Implementation Regulation of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, later amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record, and the Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, and the infringing party will be ordered to stop the infringement act immediately and may be imposed a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Copyright

According to the *Copyright Law of the PRC* (《中華人民共和國著作權法》) promulgated by the SCNPC, which was latest amended in November 2020, and its related Implementing Regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal rights and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and other rights shall be enjoyed by the copyright owners.

Pursuant to the *Regulation on Computers Software Protection* (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and latest amended on January 30, 2013, and the *Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and latest amended on July 1, 2004, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations.

Patent

In accordance with the *Patent Law of the PRC* (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and its Implementation Rule, patent is divided in to three categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and ten years, respectively, which all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Domain Names

The *Measures on Administration of Internet Domain Names* (《互聯網域名管理辦法》) was promulgated by the MIIT in 2017, which adopts "first to file" rule to allocate domain names to applicants, and provide that the MIIT shall supervise the domain names services nationwide and publicize the PRC domain name system. After completion of the registration procedures, the applicant will become the holder of the relevant domain name.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The major PRC laws and regulations that govern employment relationship are the *Labor Law of the PRC* (《中華人民共和國勞動法》), the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**") and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as "dispatched workers." Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the *Interim Provisions on Labor Dispatch* (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security and came into effect on March 1, 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance

The *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) (the "**Social Insurance Law**") issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the *Provisional Regulations on Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing Provident Fund

In accordance with the *Regulations on the Administration of Housing Provident Funds* (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied.

In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

REGULATIONS ON FOREIGN EXCHANGE

Regulations relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the *Foreign Exchange Administration Regulations of the PRC* (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (the "**SAFE**"), by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the *Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**") on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the *Circular on the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), amended on December 4, 2023, which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In October 2019, SAFE issued the *Circular on Further Facilitating Cross-border Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**"), amended on December 4, 2023, which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the *Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business* (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (the "**SAFE Circular 8**"), issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 are still subject to substantial uncertainties given they are newly issued regulations.

Regulations relating to Stock Incentive Plans

Pursuant to the *Circular on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company* (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"), promulgated by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any (H) share incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of (H) shares and interests.

The income of foreign exchange PRC residents by selling out the (H) shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the *Regulation on the Implementation of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in April 2019, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

Value-added Tax

Pursuant to the *Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended on November 19, 2017, and the Implementation Rules for the *Provisional Regulations the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax.

According to the *Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates* (《財政部、稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the value-added tax rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to the *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the value-added tax rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Dividends Distribution

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the *Company Law of the PRC* (《中華人民共和國公司法》) (the "**Company Law**"), promulgated in 1993 and latest amended in 2023, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

According to the *Civil Procedure Law of the PRC* (《中華人民共和國民事訴訟法》) which was promulgated by the National People's Congress on April 9, 1991 and most recently amended on September 1, 2023 and became effective on January 1, 2024, the limitation period for an action to recover a debt (including the recovery of declared dividends) is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Pursuant to the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018, and the *Implementation Provisions of the Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the *Enterprise Income Tax Law of PRC* (the "**EIT Law**") and the *Regulation on the Implementation of the Enterprise Income Tax Law of PRC*, since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investors' jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and a number of countries and regions including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

U.S. EXPORT CONTROL LAWS AND REGULATIONS

Effective October 9, 2019, the U.S. Department of Commerce, Bureau of Industry and Security ("**BIS**") added "iFLYTEK" to the Entity List (the "**Entity List Designation**"). The Entity List, found in Supplement No. 4 to Part 744 of the U.S. Export Administration Regulations ("**EAR**"), is a list of names of foreign persons that are subject to specific license requirements for the export, reexport, and/or transfer (in-country) of items (commodities, software, and technology) subject to the EAR. Items subject to the EAR include not just U.S.-made items or items physically made in the US, but also certain foreign-made commodities. The license requirements imposed by the Entity List are independent of, and in addition to, license requirements otherwise imposed in the EAR. This means that a U.S. or non-U.S. person must obtain a license in order to export, reexport, or transfer (in-country) to iFLYTEK any item subject to the EAR. This license requirement applies when iFLYTEK acts as, *e.g.,* a purchaser, intermediate consignee, ultimate consignee, or end-user of items subject to the EAR.

As advised by our U.S. Export Control and Sanctions Counsel, it is reasonable to conclude that (i) the Entity List Designation entry applies to iFlytek Co., Ltd. (the "**Designated Entity**") and (ii) the Entity List Designation does not *per se* apply to us, Xunfei Healthcare. The Entity List Designation restricts the ability of the Designated Entity to purchase or otherwise access certain goods, software and technology that are subject to the EAR without a license from the BIS. The EAR may be amended, which may lead to expanding controls over goods, software and technology that are not previously subject to the EAR, leading to increased licensing requirement.

REGULATIONS ON SECURITIES AND OVERSEAS LISTINGS

Securities Laws and Regulations

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

Overseas Listings

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the *Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") together with five supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**"). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the *Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises* (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"). Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Spin-off Listings

On January 5, 2022, the *Spin-off Rules for Listed Companies (For Trial Implementation)* (《上市公司分拆規則(試行)》) (the "**Spin-off Rules**") was issued by CSRC and came into effective at the same day. According to the Spin-off Rules, under the circumstance that a listed company (the "**listed company**") spins off part of business or assets and have it launch initial public offering (the "**IPO**") and listing on the overseas securities market in the capacity of a subsidiary under its direct or indirect control (the "**subsidiary**"), the spin-off shall not be allowed if the listed company does not meet several conditions or falls under any of several circumstances, and the listed company should give full explanation and disclosure on several matters, including but not limited to, that the listed company and the subsidiary shall be independent in terms of assets, finance and organization, and senior management and financial personnel shall not hold overlapping positions after the spin-off. Moreover, the listed company shall launch certain internal procedures and eventually obtain the shareholders' general meeting's approval with respect of the spin-off listings, and shall engage securities service institutions such as an independent financial advisor, a law firm and an accounting firm that meet the provisions of the Securities Law to give opinions on the spin-off.

Specifically, the Spin-off Rules stipulate that the spin-off shall not be allowed if the subsidiary falls under any of the following circumstances: (i) the main business or assets receive the investment made by the listed company with offered shares and raised funds, which includes the investment made in or loans provided to the subsidiary by the listed company and are determined based the raised funds actually received by the subsidiary, in the last three accounting years, unless the aggregate raised funds used by the subsidiary in the last three accounting years do not exceed 10% of the net assets of the subsidiary; (ii) the main business or assets are purchased by the listed company through a significant asset restructuring in the last three accounting years; (iii) the main business or assets are the main business or assets of the listed company at the time of IPO and listing; (iv) the subsidiary mainly engages in the financial business; and (v) the aggregate shares held by the subsidiary's directors and senior management and their affiliates in the subsidiary to be spun off exceed 30% of the capital stock of the subsidiary before the spin-off and listing, unless the shares are held by the directors and senior executives and their affiliates indirectly through the listed company.

OVERVIEW

In May 2016, our Company was established as a limited company under the name of Anhui Puji Information Technology Co., Ltd. (安徽普濟信息科技有限公司) with iFlytek as the Controlling Shareholder. After a series of equity transfer and capital increase, our Company was held as to approximately 52.47% by iFlytek as of the Latest Practicable Date. See "— Corporate Development" for the details of equity transfer and capital increase. In December 2021, our Company was converted into a joint stock company with limited liability and was renamed as Anhui Xunfei Medical Co., Ltd. (安徽訊飛醫療股份有限公司). In February 2023, our Company was further renamed as Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司).

OUR BUSINESS MILESTONES

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

Time	Event
2016	Our Company was established.
2017	We partnered with the First Affiliated Hospital of University of Science and Technology of China (Anhui Provincial Hospital) (中國科學技術大學附屬第一醫院(安徽省立醫院)) to build the first smart hospital in the PRC.
	Our General Practice CDSS (智醫助理) solution, as the first and only machine, passed the NMLE (General Written test).
2018	We launched pilot projects in four counties and one district in Anhui Province to address demand for enhancing clinical skills at PHC institutions.
2020	Our General Practice CDSS had been rapidly implemented at PHC institutions across the entire Anhui province, serving more than 100 districts and counties.
2021	Our Company was shortlisted on the "Technology China" Leading Technology List ("科創中國"先導技術榜單) by China Association for Science and Technology (中國科學技術協會).
2022	We commenced the provision of hearing aids to individual customers.

Time	Event
	We were awarded the First prize in the Intelligence Medical Insurance Solution Competition (智慧醫保解決方案大賽一等獎) organized by the National Healthcare Security Administration (國家醫療保障局).
2023	We have independently developed and launched Xunfei Spark Medical Model, our proprietary LLM specific to the healthcare industry.
	We were recognized as the "Key Laboratory for Medical AI Research and Application in Anhui Province" (醫療人工智能研究及應用安徽省重點實驗室) by Department of Science and Technology of Anhui Province (安徽省科學技術廳).
2024	Our General Practice CDSS and Medical Insurance Administrative Solutions were selected as national benchmark cases of Data Elements (國家"數據要素X"典型案例) by the National Data Administration in collaboration with other departments (國家數據局會同相關部門).
	We were awarded the First Prize in National Science and Technology Progress Award (國家科學技術進步獎一等獎) by the State Council of China (中華人民共和國國務院).

CORPORATE DEVELOPMENT

The following sets forth the corporate history and shareholding changes of our Company.

Establishment of our Company and Subsequent Capital increase

Upon establishment in May 2016, our Company had a registered share capital of RMB25 million and was held by iFlytek, Kexun Capital, Mr. Zhao Zhiwei (趙志偉), Mr. Lu Xiaoliang (鹿曉亮), Mr. Liu Yabin (劉亞斌), Mr. Zhou Bo (周波), Mr. Ge Lei (葛磊) and Mr. Chen Liang (陳良), as to 55.00%, 25.00%, 15.40%, 2.40%, 1.60%, 0.20%, 0.20% and 0.20%, respectively.

In August 2017, Mr. Hu Guoping (胡國平), one of the founders of iFlytek who currently serves as a Senior Vice President of iFlytek, and the then Shareholders of our Company entered into a capital increase agreement, pursuant to which, the registered share capital of our Company increased from RMB25 million to RMB26.96 million with the newly increased registered share capital subscribed by Mr. Hu Guoping, at a total consideration of approximately RMB2.06 million.

Upon completion of such subscription, our Company was held by iFlytek, Kexun Capital, Mr. Zhao Zhiwei, Mr. Hu Guoping, Mr. Lu Xiaoliang, Mr. Liu Yabin, Mr. Zhou Bo, Mr. Ge Lei and Mr. Chen Liang as to 51.00%, 23.18%, 14.28%, 7.27%, 2.23%, 1.48%, 0.19%, 0.19% and 0.19%, respectively.

Establishment of Shareholding Platforms of our Company

In December 2018, each of Mr. Lu Xiaoliang, Mr. Ge Lei, Mr. Zhou Bo, Mr. Zhao Zhiwei[1], and Mr. Chen Liang ("**Transferors**"), the then employees of our Group, entered into a share transfer agreement with Hefei Zhengsheng, pursuant to which, each of the Transferors transferred all their interests in our Company, representing approximately 18.55% of our total registered share capital in aggregate, to Hefei Zhengsheng at nil consideration.[2] Hefei Zhengsheng, Nanjing Zhenghui, a limited partner of Hefei Zhengsheng, Nanjing Zhengyang, a limited partner of Hefei Zhengsheng, and Nanjing Zhengchang, a limited partner of Nanjing Zhengyang were limited partnerships established under the laws of PRC as the shareholding platforms of our Company. For more information of Hefei Zhengsheng, Nanjing Zhenghui, Nanjing Zhengyang and Nanjing Zhengchang, see notes 2 to "— Corporate structure immediately before the completion of the Global Offering" and "Statutory and General Information — 5. Share Ownership Plan."

Upon completion of the above share transfer and the SAMR registration in April 2019, the Shareholding Entrustment Arrangement was terminated, the registered share capital of our Company remained as RMB26.96 million and our Company was held by iFlytek, Kexun Capital, Hefei Zhengsheng and Mr. Hu Guoping as to 51.00%, 23.18%, 18.55% and 7.27%, respectively.

Pre-IPO Investments in 2020 and 2021

In February and August 2020, Kexun Capital transferred 3% and 1% of our total registered share capital to Tianzheng Investment and Gongqingcheng Huizhi at a total consideration of RMB60 million and RMB20 million, respectively. For details, see "— Pre-IPO Investments" below.

1 Our Company and Mr. Zhao Zhiwei entered into a shareholding entrustment agreement ("**Shareholding Entrustment Arrangement**") in May 31, 2016, pursuant to which Mr. Zhao Zhiwei agreed to hold interests in our Company upon our establishment for and on behalf of core management team of our Company. In August 2017, Mr. Liu Yabin, a previous employee of our Company, entered into a share transfer agreement with Mr. Zhao Zhiwei to transfer all his interests in our Company to Mr. Zhao Zhiwei, and Mr. Zhao Zhiwei agreed to acquire such interests for himself and core management team of our Company. As advised by our PRC Legal Advisors, the above shareholding entrustment agreement was not in violation of any applicable PRC laws or regulations.

2 The nil consideration was determined considering such transferred share capital are either unpaid-up or the contribution of which directly set off the Transferors' capital contribution to Hefei Zhengsheng.

In November 2021, Kexun Capital transferred 0.7143% and 1.6571% of our total registered share capital to Tianzheng Investment and Zibo Jizhi at a consideration of RMB50 million and RMB116 million, respectively; Mr. Hu Guoping transferred 0.7143%, 0.7143% and 0.2857% of our total registered share capital to Hefei Tongchuang, iFlytek Haihe and Kexun Lianshan at a total consideration of RMB50 million, RMB50 million and RMB20 million, respectively. For details, see "— Pre-IPO Investments" below.

Upon completion of the above Pre-IPO Investments, our total registered share capital remained as RMB26.96 million and our Company was held by iFlytek, Hefei Zhengsheng, Kexun Capital, Mr. Hu Guoping, Tianzheng Investment, Zibo Jizhi, Gongqingcheng Huizhi, Hefei Tongchuang, iFlytek Haihe and Kexun Lianshan as to approximately 51.00%, 18.55%, 16.81%, 5.56%, 3.71%, 1.66%, 1.00%, 0.71%, 0.71% and 0.29%, respectively.

Conversion, Further Capital Injection by iFlytek, Pre-IPO Investments and Capitalization Issue

On December 24, 2021, our Company was converted into a joint stock company with limited liability with our registered share capital increased from RMB26.96 million to RMB35 million. The then Shareholders' respective shareholding percentages remain unchanged immediately before and after the Conversion. On the same day, an investment agreement was entered into, among others, our Company, iFlytek, Shanghai Shuiyao, Guoke Ruihua, pursuant to which, each of iFlytek, Shanghai Shuiyao, Guoke Ruihua subscribed approximately 3.38%, 1.35% and 0.68% of our total registered share capital at a total consideration of RMB250 million, RMB100 million and RMB50 million, respectively. For details, see "— Pre-IPO Investments" below. Upon completion of the Conversion and the above capital increase, our registered share capital increased from RMB35 million to RMB37 million and was divided into 37 million Shares with a nominal value of RMB1 per Share, and our Company was held by iFlytek, Hefei Zhengsheng, Kexun Capital, Mr. Hu Guoping, Tianzheng Investment, Zibo Jizhi, Shanghai Shuiyao, Gongqingcheng Huizhi, Hefei Tongchuang, iFlytek Haihe, Guoke Ruihua and Kexun Lianshan as to approximately 51.62%, 17.54%, 15.90%, 5.26%, 3.51%, 1.57%, 1.35%, 0.95%, 0.68%, 0.68%, 0.68% and 0.27%, respectively.

On June 29, 2022, our Shareholders resolved to conduct the capitalization of the capital reserve of our Company ("**Capitalization Issue**") with issuance of two new Shares for each existing Shares to all the then Shareholders of our Company. The Shareholders' respective shareholding percentages remain unchanged immediately before and after the Capitalization Issue. Upon completion of the Capitalization Issue, the registered share capital of our Company increased from RMB37 million to RMB111 million and was divided into 111 million Shares with a nominal value of RMB1 per Share.

iFlytek's Further Capital Injection and Pre-IPO Investment in 2023

In December 2023, iFlytek, Hainan Yuema and our Company entered into a capital increase agreement, pursuant to which, the registered share capital of our Company increased from RMB111 million to RMB113.84 million with the newly increased registered share capital of approximately 2.14% and 0.36% of our total registered capital subscribed by iFlytek and Hainan Yuema, at a total consideration of RMB180 million and RMB30 million, respectively.

In December 2023, Mr. Hu Guoping transferred 1.189% of our total registered share capital to Anhui Yanzhi at a total consideration of RMB100 million, and Kexun Capital transferred 0.1784% of our total registered share capital to iFlytek Haihe at a total consideration of RMB15 million. For details, see "— Pre-IPO Investments" below.

Upon completion of the above capital increase and share transfer, our total registered share capital increased from RMB111 million to RMB113.84 million and our Company was held by iFlytek, Hefei Zhengsheng, Kexun Capital, Mr. Hu Guoping, Tianzheng Investment, Zibo Jizhi, Shanghai Shuiyao, Anhui Yanzhi, Gongqingcheng Huizhi, iFlytek Haihe, Hefei Tongchuang, Guoke Ruihua, Hainan Yuema and Kexun Lianshan as to approximately 52.47%, 17.11%, 15.33%, 3.94%, 3.43%, 1.53%, 1.32%, 1.19%, 0.92%, 0.84%, 0.66%, 0.66%, 0.36% and 0.26%, respectively.

SHAREHOLDING STRUCTURE AS OF THE LATEST PRACTICABLE DATE

The table below summarizes the shareholding structure of our Company as of the Latest Practicable Date and immediately prior to the completion of the Global Offering.

Shareholder	Type of Shares held	Number of Share held as of the Latest Practicable Date	Percentage of shareholding as of the Latest Practicable Date
iFlytek	Unlisted Shares	59,738,145	52.4743%
Hefei Zhengsheng	Unlisted Shares	19,473,294	17.1054%
Kexun Capital	Unlisted Shares	17,448,567	15.3269%
Mr. Hu Guoping	Unlisted Shares	4,479,871	3.9351%
Tianzheng Investment	Unlisted Shares	3,900,000	3.4258%
Zibo Jizhi	Unlisted Shares	1,740,000	1.5284%
Shanghai Shuiyao	Unlisted Shares	1,500,000	1.3176%
Anhui Yanzhi	Unlisted Shares	1,353,659	1.1891%
Gongqingcheng Huizhi	Unlisted Shares	1,050,000	0.9223%
iFlytek Haihe	Unlisted Shares	953,049	0.8372%
Hefei Tongchuang	Unlisted Shares	750,000	0.6588%
Guoke Ruihua	Unlisted Shares	750,000	0.6588%
Hainan Yuema	Unlisted Shares	406,098	0.3567%
Kexun Lianshan	Unlisted Shares	300,000	0.2635%

OUR KEY SUBSIDIARIES AND MAJOR SHAREHOLDING CHANGES

Name of the Company	Principal business activities	Date of establishment	Place of establishment	Percentage of equity interest held by our Group
Anhui Imaging Union	Digital imaging services	October 26, 2015	PRC	51% by our Company
Beijing Huiji	Medical insurance related services	June 5, 2020	PRC	75% by our Company
Lvliang Xunfei	Medical insurance related services	December 1, 2021	PRC	90% by Beijing Huiji
Pu'er Xunfei	Medical insurance related services	June 9, 2022	PRC	100% by Beijing Huiji

Anhui Imaging Union

Anhui Imaging Union is a limited company established in PRC on October 26, 2015 and is principally engaged in digital imaging services. On July 12, 2021, our Company entered into an investment cooperation agreement with Hefei Yilian Yunxiang Health Management Partnership (Limited Partnership) (合肥醫聯雲享健康管理合夥企業(有限合夥), "**Yilian Yunxiang**"), Youngy Health Co., Ltd. (融捷健康科技股份有限公司, "**Youngy Health**"), a company listed on the Shenzhen Stock Exchange (Stock Code: 300247), Beijing Chongshan Yuanwei Investment Center (Limited Partnership) (北京重山遠為投資中心(有限合夥), "**Chongshan Yuanwei**"), Anhui iFlytek Yunchuang Technology Co., Ltd. (安徽訊飛雲創科技有限公司, "**iFlytek Yunchuang**"), Mr. Li Chuanfu (李傳富), Ms. Meng Xuemei (孟學梅), Mr. Zheng Suisheng (鄭穗生) and Mr. Liu Bin (劉斌) (together, "**Counterparties**"), pursuant to which, our Company agreed to subscribe RMB1,131,667 newly issued registered share capital of Anhui Imaging Union, representing approximately 9.09% of the total equity interests of Anhui Imaging Union assuming the completion of the subscription, at a total consideration of RMB17.5 million. Save for iFlytek Yunchuang as a subsidiary of iFlytek, each of the Counterparties is an Independent Third Party. In addition, each of Yilian Yunxiang, Youngy Health, Chongshan Yuanwei transferred RMB3,587,186, RMB849,373 and RMB780,424 registered share capital of Anhui Imaging Union representing 28.82%, 6.82% and 6.27% of the total equity interests of Anhui Imaging Union to our Company, at a total consideration of approximately RMB55.5 million, RMB13.1 million and RMB12.1 million, respectively. Anhui Imaging Union completed the SAMR registration in respect of the above subscription and share transfer (together, "**Acquisition of Anhui Imaging Union**") in August 2021. Since July 2021, Anhui Imaging Union has been held as to approximately 51% by our Company and its financial results have been consolidated into the consolidated financial statements of our Group. The consideration for above subscription and equity transfer was determined through arm's length negotiations between the relevant parties and has been fully settled. See notes 5 to "— Corporate structure immediately before the completion of the Global Offering" for more details of Anhui Imaging Union. The Acquisition of Anhui Imaging Union does not constitute a major acquisition under Rule 4.05A of the Listing Rules.

Our PRC Legal Advisors have confirmed that all relevant regulatory approvals in relation to the acquisition as described above have been obtained in accordance with the PRC laws and regulations. Our PRC Legal Advisors have further confirmed that the Acquisition of Anhui Imaging Union as described above have been properly and legally completed.

Beijing Huiji

Beijing Huiji is a limited liability company established in PRC on June 5, 2020 and has since then been held as to 75% by our Company. See notes 6 to "— Corporate structure immediately before the completion of the Global Offering" for more details of Beijing Huiji.

Pu'er Xunfei

Pu'er Xunfei is a limited liability company established in PRC on June 9, 2022, and has since then been wholly owned by Beijing Huiji.

Lvliang Xunfei

Lvliang Xunfei is a limited liability company established in PRC on December 1, 2021, and has since then been owned by Beijing Huiji and Lvliang Economic Development Zone Information Investment and Construction Co., Ltd. (呂梁市經開區信息化投資建設有限公司), an Independent Third Party, as to 90% and 10%, respectively. See notes 8 to "— Corporate structure immediately before the completion of the Global Offering" for more details of Lvliang Xunfei.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Save as disclosed above, we had not conducted any acquisitions, disposals or mergers since our establishment that we considered to be material to us during the Track Record Period and up to the Latest Practicable Date.

PRE-IPO INVESTMENTS

From December 2019 to December 2023, our Company completed several rounds of Pre-IPO Investments. Details of the Pre-IPO Investments are summarized below.

NO.	Pre-IPO Investors	Subscription/ transfer method	Date of signing the agreement	Date on which investment was fully settled	Amount of consideration	Price per Share paid	Implied valuation of the Company(1)	Percentage of Shares held by investors % (Assuming the Over-allotment Option is not exercised)		Discount to the Offer Price(2)
								As at Latest Practicable Date	Upon the Global Offering	
					(RMB in millions)	*(RMB)*	*(RMB in millions)*			
1.	Tianzheng Investment	Transferred by Kexun Capital(3)	February 27, 2020	December 31, 2019	60	19.05(4)(5)(6)	2,000	3.43	3.23	75.10%
		Transferred by Kexun Capital(3)	November 13, 2021	November 12, 2021	50	66.67(4)(5)(6)	7,000			12.84%
2.	Gongqingcheng Huizhi	Transferred by Kexun Capital(3)	August 31, 2020	August 27, 2020	20	19.05(4)(5)(6)	2,000	0.92	0.87	75.10%
3.	Zibo Jizhi	Transferred by Kexun Capital	November 13, 2021	November 16, 2021	116	66.67(4)(5)	7,000	1.53	1.44	12.84%
4.	Hefei Tongchuang	Transferred by Mr. Hu Guoping(3)	November 13, 2021	November 9, 2021	50	66.67(4)(5)	7,000	0.66	0.62	12.84%
5.	iFlytek Haihe	Transferred by Mr. Hu Guoping	November 13, 2021	November 16, 2021	50	66.67(4)(5)	7,000	0.84	0.79	12.84%
		Transferred by Kexun Capital	December 20, 2023	December 22, 2023	15	73.87	8,410			3.41%
6.	Kexun Lianshan	Transferred by Mr. Hu Guoping	November 13, 2021	November 16, 2021	20	66.67(4)(5)	7,000	0.26	0.25	12.84%
7.	Shanghai Shuiyao	Subscription of new Shares	December 24, 2021	December 30, 2021	100	66.67(4)	7,000	1.32	1.24	12.84%
8.	Guoke Ruihua	Subscription of new Shares	December 24, 2021	December 28, 2021	50	66.67(4)	7,000	0.66	0.62	12.84%
9.	Hainan Yuema	Subscription of new Shares	December 4, 2023	December 11, 2023	30	73.87	8,410	0.36	0.34	3.41%
10.	Anhui Yanzhi	Transferred by Mr. Hu Guoping	December 19, 2023	December 19, 2023	100	73.87	8,410	1.19	1.12	3.41%

Notes:

(1) The implied valuation of the Company is calculated based on the price per Share and the then issued share capital of the Company (as enlarged by the investment as applicable). Such price per Share is calculated based on the consideration of the investment and the number of Shares acquired/subscribed.

(2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$82.8 per Share.

(3) Such share transfer agreement and settlement were between Shareholders only. To the best knowledge of the Company, such share transfer agreement was dated and executed after settlement between Shareholders as part of their commercial arrangement. Each of Tianzheng Investment, Kexun Capital, Gongqingcheng Huizhi, Mr. Hu Guoping and Hefei Tongchuang confirms that their respective acquisition of the Shares is valid and binding, and has been completed in compliance with relevant PRC laws and regulations, and that there is no disputes over the Shares it holds.

(4) Following the completion of Capitalization Issue in July 2022, the registered share capital of our Company tripled from RMB37 million to RMB111 million. Given the registered share capital of the Company increased without introduction of any new Shareholder or any investment funds, for purpose of presenting the price per Share paid on a comparable basis especially on a consistent basis with the current registered share capital of the Company, the price per Share paid is calculated by dividing the total consideration of such Share acquisition/subscription by three times of the total number of Shares acquired/subscribed.

(5) For purpose of Conversion, on October 10, 2021, the then Shareholders of our Company resolved to convert net assets of our Group into Shares with our registered share capital increased from RMB26.96 million to RMB35 million, representing an increase of 129.82%, and our Company completed SAMR registration of the Conversion on December 24, 2021. Given the registered share capital of the Company increased without introduction of any new Shareholder or any investment funds, for purpose of presenting the price per Share paid on a comparable basis especially on a consistent basis with the current registered share capital of the Company, the price per Share paid is calculated by dividing the total consideration of such Share acquisition/subscription by 129.82% times of the total number of Shares acquired/subscribed.

(6) To the best knowledge of the Company, the consideration for such Share transfer was determined among Shareholders after arm's lengths negotiations taking into consideration the then business, technology capabilities, and prospects of the Group. In 2020, our General Practice CDSS had been rapidly implemented at PHC institutions across the entire Anhui province, serving more than 100 districts and counties. We have also expanded market coverage out of Anhui Province and enriched our product and service portfolio. As of December 31, 2021, our offerings covered more than 30,000 PHC institutions in 278 districts and counties affiliated with 63 cities. In the meantime, we have also strengthened our capabilities in technology and continuously upgraded and optimized our technologies.

Principal Terms of the Pre-IPO Investments

The table below sets forth the other principal terms of the Pre-IPO Investments:

Use of proceeds from the Pre-IPO Investments	:	As of the Latest Practicable Date, all the proceeds received by us from the Pre-IPO Investments which are in the form of subscription of new Shares have been utilized for technology upgrading, product iteration, upgrading existing products and developing new products.
Strategic benefits	:	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company, and that the Pre-IPO Investors' investments in our Company demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects.
Basis of determining the consideration	:	The consideration was determined after arm's length negotiations between the parties with reference to the timing of the investments and the prospect of our business.
Lock-up requirement	:	Pursuant to the applicable PRC law, the Shares held by the Pre-IPO Investors are subject to a lock-up period of 12 months after the Listing Date.
Special rights	:	It is agreed that all the special rights granted to Pre-IPO Investors including information right, pre-emptive right, tag-along rights, transfer restriction rights, shall be terminated one day before the submission of the Listing application to the Stock Exchange. In the event that the application for Listing is withdrawn, terminated or denied, or our Company fails in listing review by regulators within 36 months since submission Listing application, all special rights shall be automatically reinstated and restored in full force and effect.

Information about the Pre-IPO Investors

Tianzheng Investment

Tianzheng Investment is a limited company incorporated in the PRC which is principally engaged in investment business. Tianzheng Investment is wholly owned by China Merchants Industry Development (Shenzhen) Limited (招商局實業發展(深圳)有限公司), a wholly owned subsidiary of China Merchants China Direct Investments Limited (招商局中國基金有限公司), which is an investment company listed on the Hong Kong Stock Exchange (Stock Code: 00133) and an Independent Third Party.

Gongqingcheng Huizhi and Zibo Jizhi

Gongqingcheng Huizhi is a limited partnership established in the PRC which is principally engaged in equity investment and asset management. The general partner of Gongqingcheng Huizhi is Hainan Boyue Technology Partnership (Limited Partnership) (海南博約科技合夥企業(有限合夥), "**Hainan Boyue**"), which holds 5% of its partnership interests. The largest limited partner of Gongqingcheng Huizhi is Mr. Han Xiao (韓笑), an Independent Third Party, who holds approximately 40% partnership interest in Gongqingcheng Huizhi. None of the other eight limited partners of Gongqingcheng Huizhi holds more than 10% partnership interests of Gongqingcheng Huizhi. The general partner of Hainan Boyue is Hainan Hongdao Equity Investment Fund Management Co., Ltd (海南鴻道股權投資基金管理有限公司), which is owned as to 70% and 30% by Mr. Sun Jiandong (孫建冬), an Independent Third Party, and Mr. Han Xiao, respectively.

Zibo Jizhi is a limited partnership established in the PRC which is principally engaged in equity investments, investment management and asset management. The general partner of Zibo Jizhi is Hainan Tianzhi Equity Investment Fund Management Co., Ltd. (海南天智股權投資基金管理有限公司, "**Tianzhi Investment**") which is owned as to 90% by Mr. Han Xiao. The largest limited partner of Zibo Jizhi is Mr. Han Xiao holding approximately 19.99% of its partnership interests. None of the other 32 limited partners of Zibo Jizhi holds more than 15% partnership interests of Zibo Jizhi.

Hefei Tongchuang

Hefei Tongchuang is a limited partnership established in the PRC which is principally engaged in investment. The general partner of Hefei Tongchuang is Shenzhen Tongchuang Qianshun Investment Co., Ltd. (深圳市同創乾順投資有限公司, "**Qianshun Investment**"), which is wholly owned by Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司), a company listed on the National Equities Exchange and Quotations (Stock Code: 832793), an Independent Third Party. The largest limited partner of Hefei Tongchuang holding approximately 27.91% of its partnership interests is National SME Development Co., Ltd. (國家中小企業發展基金有限公司, "**National SME**"). National SME is held by (i) Ministry of Finance of the People's Republic of China (中華人民共和國財政部), (ii) Shanghai Guosheng Group Co., Ltd. (上海國盛(集團)有限公司), an Independent Third Party wholly owned by Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會), and (iii) China National Tobacco Corporation (中國煙草總公司), an Independent Third Party wholly owned by The State Council of the People's Republic of China (中華人民共和國國務院), as to approximately 42.66%, 13.99% and 13.99%, respectively, and none of the other 13 shareholders of National SME holds more than 10% of its equity interests. None of the other 11 limited partners holds more than 25% partnership interests of Hefei Tongchuang.

iFlytek Haihe and Kexun Lianshan

iFlytek Haihe is a limited partnership incorporated in PRC which is principally engaged in equity investments. The general partner of iFlytek Haihe is Tianjin Kexun Haihe Technology Partnership (Limited Partnership) (天津科訊海河科技合夥企業(有限合夥), "**Tianjin Kexun**"), the general partner of Tianjin Kexun is Hefei Kexun Venture Capital Management Partnership (Limited Partnership) (合肥科訊創業投資管理合夥企業(有限合夥), "**Hefei Kexun**"), an Independent Third Party which holds 55% partnership interests in Tianjin Kexun. Each of the three limited partners of Tianjin Kexun, Mr. Xu Jingming (徐景明), Anhui iFlytek Yunchuang Technology Co., Ltd. (安徽訊飛雲創科技有限公司, "**iFlytek Yunchuang**"), and Tianjin Haihe Innovation Investment Management Co., Ltd. (天津市海河創新投資管理有限公司), an Independent Third Party, holds 15%, 25% and 5% partnership interests in Tianjin Kexun, respectively. The general partner of Hefei Kexun is Hefei Kexun Dingli Enterprise Management Co., Ltd. (合肥科訊頂立企業管理有限公司, "**Hefei Dingli**"), an Independent Third Party, which is owned by as to 99% and 1% by Sanya Gaozhuo Jiayin Information Technology Partnership (Limited Partnership) (三亞高卓佳音信息科技合夥企業(有限合夥), "**Sanya Gaozhuo**") and Mr. Xu Jingming, respectively. The only limited partner of Hefei Kexun holding 99% of its partnership interests is Sanya Gaozhuo. The general partner of Sanya Gaozhuo is Mr. Xu Jingming holding its 95% partnership interests. iFlytek Yunchuang is wholly owned by iFlytek Group, which is principally engaged in external investment. Each of the three limited partners of iFlytek Haihe, Tianjin Haihe Industrial Fund Partnership (Limited Partnership) (天津市海河產業基金合夥企業(有限合夥), "**Haihe Fund**"), an Independent Third Party, Fuzhou Tengyun Strait Equity Investment Partnership (Limited Partnership) (福州騰雲海峽股權投資合夥企業(有限合夥), "**Tengyun Fund**"), an Independent Third Party, and iFlytek, holds approximately 49%, 25% and 25% partnership interests in iFlytek Haihe. The general partner of Haihe Fund is Tianjin Haihe Industrial Fund Management Co., Ltd. (天津市海河產業基金管理有限公司) whose largest shareholder is Tianjin Finance Bureau Financial Investment Business Center (天津市財政局財政投資業務中心) holding 15.9574% of its equity interests, the only limited partner of Haihe Fund is Tianjin Finance Bureau (天津市財政局) holding 99.7506% of its partnership interests. The general partner of Tengyun Fund is Beijing Zijing Huaxin Investment Management Center (Limited Partnership) (北京紫荊華信投資管理中心(有限合夥), which is ultimately controlled by Shen Zhengning (沈正寧), an Independent Third Party. The largest limited partner of Tengyun Fund holding approximately 59.99% partnership interests therein is Ningbo Meishan Bonded Port Zone Tengyun Yuansheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區騰雲源晟股權投資合夥企業(有限合夥), the "**Tengyun Yuansheng Investment**"), the general partner of Tengyun Yuansheng Investment is Century Tengyun Investment Management Co., Ltd. (世紀騰雲投資

管理有限公司) which is wholly owned by Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司, the "**Xizang Tengyun**"), the only limited partner of Tengyun Yuansheng Investment holding 99% partnership interest therein is Xizang Tengyun which is ultimately wholly owned as to 60% and 40% by Huang Tao (黃濤) and Huang Shiying (黃世熒), Independent Third Parties.

Kexun Lianshan is a limited partnership established in PRC which is principally engaged in venture capital investment and equity investment. The general partner of Kexun Lianshan is Hefei Kexun. Among the 10 limited partners of Kexun Lianshan, Mr. Tian Ming (田明), an Independent Third Party, as the largest limited partner, holds approximately 23.08% partnership interests of Kexun Lianshan, and Anhui iFlytek Industrial Investment Co., Ltd. (安徽訊飛產業投資有限責任公司, "**iFlytek Investment**"), holds approximately 19.23% partnership interest of Kexun Lianshan, none of the other limited partners hold more than 10% partnership interest of Kexun Lianshan. iFlytek Investment was held as to 24%, 22.55%, 5%, 2.95%, 2.7%, 2.7%, 2% and 1.65% by Mr. Xu Jingming, Dr. Liu Qingfeng, Mr. Wu Xiaoru (吳曉如), Mr. Jiang Tao, Mr. Xu Yulin (徐玉林), Mr. Wu Dehai (吳德海), Mr. Nie Xiaolin (聶小林), and Mr. Hu Guoping, respectively. All of them are employees of iFlytek, except for Mr. Xu Jingming. None of the other shareholders, Independent Third Parties, holds more than 15% equity interests of iFlytek Investment.

Shanghai Shuiyao

Shanghai Shuiyao is a limited company incorporated in the PRC which is principally engaged in enterprise management and consulting. Shanghai Shuiyao is owned as to 85% and 15% by Mr. Zhao Hongxiu (趙洪修) and Mr. Zhao Zitong (趙子同), both being Independent Third Parties, respectively.

Guoke Ruihua

Guoke Ruihua is a limited partnership incorporated in the PRC which is principally engaged in venture capital investment and equity investment. The general partner of Guoke Ruihua is Guoke Ruihua (Shenzhen) Technology Co., Ltd. (國科瑞華(深圳)科技有限公司) ("**Ruihua Technology**"), which is wholly owned by CAS Investment Management Co., Ltd. (中國科技產業投資管理有限公司, "**CAS Investment**"). CAS Investment is held by (i) Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院控股有限公司), an Independent Third Party wholly owned by Chinese Academy of Sciences (中國科學院), and (ii) Beijing Guoke Talent Consulting Co., Ltd. (北京國科才俊諮詢有限公司), an Independent Third Party, as to approximately 43.01% and 32.52%, respectively, and none of the other shareholders of CAS Investment holds more than 10% of its equity interests. The largest limited partner of Guoke Ruihua is Shenzhen Guidance Fund Investment Co., Ltd. (深圳市引導基金投資有限公司), an Independent Third Party wholly owned by Shenzhen Finance Bureau (深圳市財政局), none of the other 14 limited partners of Guoke Ruihua holds more than 20% of its partnership interests.

Hainan Yuema

Hainan Yuema is a limited partnership incorporated in the PRC which is principally engaged in science and technology promotion and application services. The general partner of Hainan Yuema is Shanghai Yuyuanyong Management Consulting Co., Ltd. (上海裕源湧管理諮詢有限公司, "**Yuyuanyong Consulting**"). Yuyuanyong Consulting is held by Mr. Yang Zhenyu (楊振宇) and Mr. Jin Ligang (金立剛), both being Independent Third Parties, as to 90% and 10%, respectively. The sole limited partner of Hainan Yuema is Mr. Yang Zhenxing (楊振興), an Independent Third Party, who holds approximately 98.18% partnership interest of Hainan Yuema.

Anhui Yanzhi

Anhui Yanzhi is a limited company incorporated in the PRC which is principally engaged in software technology development, promotion, transfer, and consulting services. Anhui Yanzhi is owned as to 69.5248% by Dr. Liu Qingfeng, our non-executive Director and chairman of the Board. None of the other shareholders of Anhui Yanzhi holds more than 10% of its equity interests.

Compliance with the Pre-IPO Investment Guidance

On the basis that the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the Listing application to the Stock Exchange and all special right have been terminated, the Joint Sponsors confirmed that the Pre-IPO Investments are in compliance with the Pre-IPO Investment Guidance (as defined in the Guide for New Listing Applicants issued by the Stock Exchange in December 2023).

PUBLIC FLOAT

Following the conversion of Unlisted Shares into H Shares and upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), an aggregate of 58,357,642 H Shares held by (i) iFlytek, our Controlling Shareholder, (ii) Hefei Zhengsheng, one of our substantial shareholders, (iii) Kexun Capital, one of our substantial shareholders, (iv) Anhui Yanzhi, a company controlled by Dr. Liu Qingfeng, our non-executive Director and chairman of the Board, (v) iFlytek Haihe, a company ultimately controlled by one of our substantial shareholders, and (vi) Kexun Lianshan, a company ultimately controlled by one of our substantial shareholders, will not be counted towards the public float. Except as stated above, all the 11,903,920 H Shares held by other Shareholders and the 7,035,550 H Shares to be issued under the Global Offering will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules, representing 15.67% of total issued Shares.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, so that the minimum percentage of the Shares from time to time to be held in public hands will be the higher of (i) 15.67% of the total issued Shares (assuming the conversion of Unlisted Shares into H Shares is completed and the Over-allotment Option is not exercised); or (ii) such percentage of Shares to be held by the public H Shareholders immediately after the completion of the Global Offering and the last exercise of the Over-allotment Option. For details of the relevant waiver, see "Waivers from Strict Compliance with the Listing Rules" for details.

SPIN-OFF

CSRC promulgated the Spin-off Rules for Listed Companies (For Trial Implementation) (《上市公司分拆規則(試行》), "**Spin-off Rules**") on January 5, 2022, and the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) ("**Overseas Listing Trial Measures**") on February 17, 2023. Pursuant to the Spin-off Rules and the Overseas Listing Trial Measures, the offshore listing of the subsidiaries controlled by domestic listed companies shall comply with the conditions set out in the Spin-off Rules and fulfill the filing procedure with CSRC. The listing of our Company constitutes a spin-off and is subject to fulfilling the filing procedure with CSRC. The listing of our Company was approved by iFlytek's shareholders at an extraordinary general meeting on January 25, 2024, and was approved by the Company's shareholders at an extraordinary general meeting on the same day. As advised by the PRC Legal Advisors, our Company had obtained all necessary approvals and authorization in the PRC in relation to the Listing.

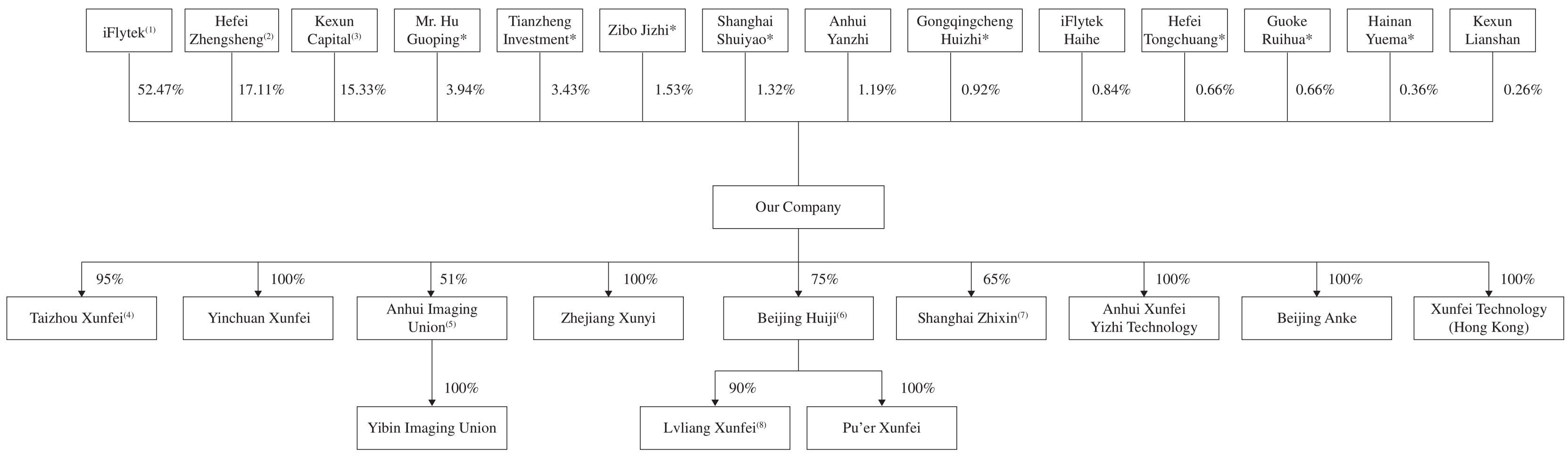
CONFIRMATION BY THE PRC LEGAL ADVISORS

Our PRC Legal Advisors have confirmed that the above mentioned equity transfers involving our Shares, increase in share capital and conversion from a limited company to a joint stock company with limited liability have been properly and legally completed in all material respects and all requisite regulatory approvals have been obtained in accordance with the applicable PRC laws and regulations in all material respects.

CORPORATE STRUCTURE

Corporate structure immediately before completion of the Global Offering

The following chart sets forth our shareholding structure as of the Latest Practicable Date and immediately before completion of the Global Offering:



Notes:

* 4,479,871 Shares, 3,900,000 Shares, 696,000 Shares, 600,000 Shares, 525,000 Shares, 750,000 Shares, 750,000 Shares and 203,049 Shares held by Mr. Hu Guoping, Tianzheng Investment, Zibo Jizhi, Shanghai Shuiyao, Gongqingcheng Huizhi, Hefei Tongchuang, Guoke Ruihua and Hainan Yuema, respectively, will be converted into H Shares upon completion of the Global Offering and shall be counted towards public float. 1,044,000 Shares, 900,000 Shares, 525,000 Shares and 203,049 Shares held by Zibo Jizhi, Shanghai Shuiyao, Gongqingcheng Huizhi and Hainan Yuema, respectively, will remain as Unlisted Shares upon Listing and will not be counted towards public float. See "Share Capital — Conversion of Our Unlisted Shares into H Shares."

(1) As of December 31, 2023, Dr. Liu Qingfeng was interested in approximately 14.99% equity interests in iFlytek, among which, (i) Dr. Liu Qingfeng directly held approximately 5.54% equity interests in iFlytek; (ii) Anhui Yanzhi, which was held as to approximately 69.52% by Dr. Liu Qingfeng, held 2.47% equity interests in iFlytek, (iii) Dr. Liu Qingfeng and USTC Holdings Company Limited (中科大資產經營有限公司, "**USTC Holdings**") have entered into an acting in concert agreement, pursuant to which, Dr. Liu Qingfeng and USTC Holdings agreed to act in concert in respect of matters considered at general meetings of iFlytek. USTC Holdings held approximately 3.24% equity interests in iFlytek; and (iv) each of Mr. Wang Renhua (王仁華), Mr. Chen Tao (陳濤), Mr. Wu Xiaoru (吳曉如), Mr. Hu Yu (胡鬱), Mr. Yan Jun (嚴峻), Mr. Huang Haibing (黃海兵), Mr. Jiang Tao (江濤), Mr. Wu Xianghui (吳相會), Mr. Xu Yulin (徐玉林), Mr. Wang Zhiguo (王智國), Mr. Hu Hongwei (胡宏偉), Mr. Nie Xiaolin (聶小林), Mr. Hu Guoping (胡國平) and Mr. Yang Jun (楊軍) has entrusted, among others, his/her voting power at general meetings of iFlytek, representing approximately 3.74% of the equity interests in iFlytek, to Dr. Liu Qingfeng. On November 19, 2024, the acting in concert agreement between Dr. Liu Qingfeng and USTC Holdings has expired. As a result, Dr. Liu Qingfeng was interested in approximately 11.54% equity interests in iFlytek as of November 21, 2024.

(2) Hefei Zhengsheng is a limited partnership established in PRC on April 4, 2018 as one of our employee shareholding platforms. The general partner of Hefei Zhengsheng is Mr. Lu Xiaoliang, an employee of our Group. The limited partners of Hefei Zhengsheng include 16 current employees of our Group or iFlytek Group, Nanjing Zhengyang and Nanjing Zhenghui. Nanjing Zhengyang and Nanjing Zhenghui are limited partnerships established in the PRC on December 3, 2021, respectively, as our employee shareholding platforms. The general partner of Nanjing Zhengyang and Nanjing Zhenghui is Mr. Lu Xiaoliang. The limited partners of Nanjing Zhengyang and Nanjing Zhenghui include 92 former or current employees of our Group or iFlytek Group and Nanjing Zhengchang. Nanjing Zhengchang is a limited partnership established in the PRC on December 9, 2022, as one of our employee shareholding platforms. The general partner of Nanjing Zhengchang is Ms. Zhang Panpan (張盼盼), an employee of our Group. The limited partners of Nanjing Zhengchang include 46 current employees of our Group or iFlytek Group. For more details, see "Statutory and General Information — 5. Share Ownership plan."

(3) Kexun Capital is a limited partnership established in the PRC on January 6, 2016. The general partner and executive partner of Kexun Capital is Kexun Ruijin, which has appointed Mr. Xu Jingming (徐景明) as its representative. The limited partners of Kexun Capital are Anhui Investment, iFlytek Investment, Tianzheng Investment and Mr. Xu Jingming, which held 49.83%, 29.9%, 14.95% and 1.99% partnership interest of Kexun Capital, respectively. Anhui Investment is wholly owned by Anhui Xinbao Holding Group Co., Ltd. (安徽省信保控股集團有限公司), which is wholly owned by The People's Government of Anhui Province (安徽省人民政府). The general partner of Kexun Ruijin is Anhui Xunfei Venture Capital Partnership (Limited Partnership) (安徽訊飛創業投資合夥企業(有限合夥), "**Venture Capital Partnership**") holding 65% partnership interests in Kexun Ruijin. The limited partners of Kexun Ruijin are Sanya Gaozhuo and Anhui Investment, holding 25% and 10% partnership interests in Kexun Ruijin, respectively. The general partner of Venture Capital Partnership is Hefei Dingli. Venture Capital Partnership has a total of 21 limited partners, including (1) Dr. Liu Qingfeng, holding 40.85% of its partnership interests; (2) Mr. Xu Jingming, holding 8% of its partnership interests; (3) Mr. Jiang Tao, holding 2.95% of its partnership interests; (4) Mr. Zhao Zhiwei, holding 1% of its partnership interests; and (5) the remaining 17 limited partners, each holding less than 7% of interest of Venture Capital Partnership.

(4) Taizhou Xunfei is a limited company established in the PRC on December 11, 2023. Taizhou Xunfei is held by our Company and Taizhou Tongtai Investment Co., Ltd. (泰州通泰投資有限公司, "**Tongtai Investment**"), an Independent Third Party, as to 95% and 5%, respectively. Tongtai Investment is held as to 95% by Taizhou Medical City Holding Group Co., Ltd. (泰州醫藥城控股集團股份有限公司) which is wholly owned by Taizhou Pharmaceutical High-tech Industrial Development Zone Management Committee (泰州醫藥高新技術產業開發區管理委員會), an Independent Third Party.

(5) Anhui Imaging Union is held by our Company, Yilian Yunxiang, iFlytek Yunchuang, Youngy Health and Chongshan Yuanwei as to approximately 51%, 28.8591%, 7.0291%, 6.8333% and 6.2786%, respectively. The general partner of Yilian Yunxiang is Hefei Yinglian Yunxiang Health Management Co., Ltd. (合肥影聯雲享健康管理有限公司, "**Hefei Yunxiang**"), the largest shareholder of which is Mr. Li Chuanfu (李傳富), an Independent Third Party (save for acting as a director of Anhui Imaging Union), holding approximately 13.34% of its equity interests. The largest limited partner of Yilian Yunxiang is Mr. Li Chuanfu, holding 41.68% of the partnership interest in Yilian Yunxiang, and none of the other 13 limited partners of Yilian Yunxiang holds more than 10% partnership interests in Yilian Yunxiang. iFlytek Yunchuang is wholly owned by iFlytek. Youngy Health and Chongshan Yuanwei are Independent Third Parties.

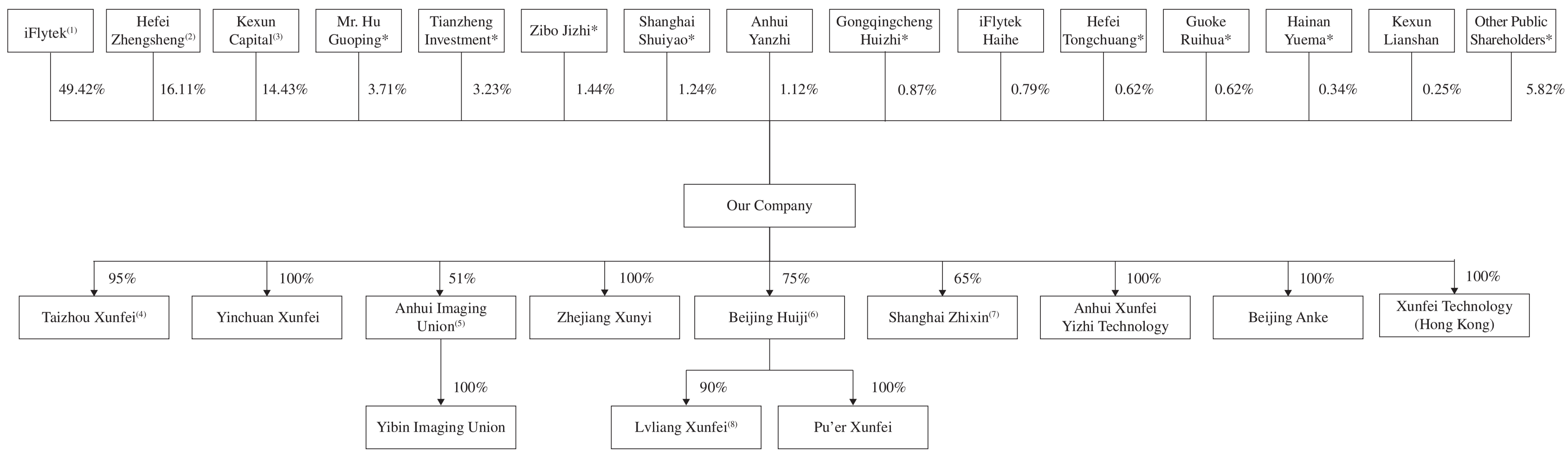
(6) Beijing Huiji is held by our Company, Mr. Wu Ji (吳及), China Control Technology Transfer Co., Ltd. (華控技術轉移有限公司, "**China Control Technology**") and Tianjin Huizhi Intelligent Technology Partnership (Limited Partnership) (天津慧智智能科技合夥企業(有限合夥), "**Tianjin Huizhi**") as to 75%, 10%, 7.5% and 7.5%, respectively. Mr. Wu Ji and China Control Technology are Independent Third Parties (save for acting as substantial shareholders of Beijing Huiji). Tianjin Huizhi is an Independent Third Party.

(7) Shanghai Zhixin is held by our Company and Shanghai Xunhongcun Technology Partnership (Limited Partnership) (上海訊宏存科技合夥企業(有限合夥), "**Xunhongcun Technology**"), as to 65% and 35%, respectively. The general partner of Xunhongcun Technology is Ms. Chen Lu (陳露), an Independent Third Party, holding 35% partnership interests of Xunhongcun Technology. The only limited partner of Xinhongcun Technology is Ms. Wang Xiuli (王秀麗), an Independent Third Party, holding 65% of its partnership interests.

(8) Lvliang Xunfei is held by Beijing Huiji and Lvliang Investment, an Independent Third Party (save for acting as a substantial shareholder of Lvliang Xunfei), as to 90% and 10%, respectively. Lvliang Investment is wholly owned by Lvliang Economic and Technological Development Zone Management Committee (呂梁經濟技術開發區管理委員會), an Independent Third Party.

Corporate structure immediately following completion of the Global Offering

The following chart sets forth our shareholding structure immediately following completion of the Global Offering (assuming the Over-Allotment Option is not exercised and no changes in the following shareholdings since the Latest Practicable Date):



Notes:

* 4,479,871 Shares, 3,900,000 Shares, 696,000 Shares, 600,000 Shares, 525,000 Shares, 750,000 Shares, 750,000 Shares and 203,049 Shares held by Mr. Hu Guoping, Tianzheng Investment, Zibo Jizhi, Shanghai Shuiyao, Gongqingcheng Huizhi, Hefei Tongchuang, Guoke Ruihua and Hainan Yuema, respectively, will be converted into H Shares upon completion of the Global Offering and shall be counted towards public float. 1,044,000 Shares, 900,000 Shares, 525,000 Shares and 203,049 Shares held by Zibo Jizhi, Shanghai Shuiyao, Gongqingcheng Huizhi and Hainan Yuema, respectively, will remain as Unlisted Shares upon Listing and will not be counted towards public float. See "Share Capital — Conversion of Our Unlisted Shares into H Shares."

Please refer to notes in the paragraphs headed "— Corporate structure immediately before completion of the Global Offering" in this section.

OVERVIEW

Our Mission

AI assistant for every doctor and health partner for everyone.

Our Vision

To improve the quality and accessibility of medical resources with revolutionized AI technologies and facilitate the development of the healthcare AI industry.

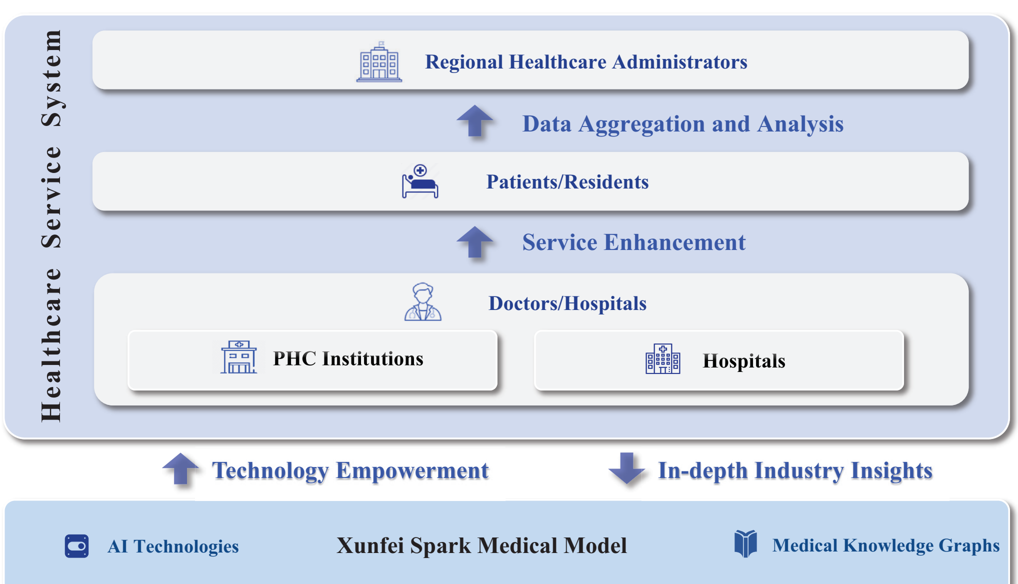
Who We Are

We are an AI-empowered healthcare solution provider. We are committed to empowering the healthcare industry with AI technologies and realizing large-scale commercialization of healthcare AI solutions in China. Our products and solutions support a range of healthcare services, ranging from health risk warnings, early screening, auxiliary diagnosis and treatment as well as treatment effect evaluation to post-discharge management and chronic disease management. Specifically, we offer (i) PHC Services to assist PHC doctors in improving their service capabilities; (ii) Hospital Services to help hospitals improve hospitals' and doctors' efficiencies; (iii) Patient Services to enhance the quality of healthcare services received by patients, including outpatients, inpatients residing in medical institutions and discharged inpatients at home, as well as other individual customers; and (iv) Regional Healthcare Solutions to assist regional healthcare administrators in data-driven integrated management as well as efficient deployment of health insurance funds. Through these products and solutions ancillary to healthcare services, we strive to propel a diagnosis model via HCI and contribute to China's healthcare reform. We ranked first in the healthcare AI industry in terms of revenue in China with a market share of 5.9% in 2023, according to Frost & Sullivan.

Benefiting from the AI market leadership of iFlytek, our Controlling Shareholder, we have independently developed AI technologies that underpin our products and solutions. We are one of the first market participants advancing and implementing LLM in the healthcare industry in China, according to Frost & Sullivan, which is trained with massive high-quality datasets to understand, summarize, generate and predict new content. Applicable in more than 300 medical scenarios, our proprietary healthcare domain-specific LLM model, Xunfei Spark Medical Model, has outperformed GPT-4 Turbo in six medical-related NLP tasks as of the Latest Practicable Date, including expert-level medical knowledge graph question answering, CLU, medical document generation, disease diagnostic and treatment recommendations, multi-round medical dialogue generation and multi-modal interactions, according to the test organized by the CTTL, which is part of the CAICT. We were the only corporate participant in the development of the "Technical Evaluation System and the Standard Specifications of LLMs for Use in Healthcare." This is one of the first industry standards setting the rules for the use of relevant healthcare AI technologies in China to assess the use of AI technologies in the healthcare industry, according to Frost & Sullivan.

Our advancements in AI technology and expanding medical knowledge graphs, both contributing to the development of Xunfei Spark Medical Model, empower us to continue improving our products and services. We have advanced healthcare AI technology from speech recognition and NLU to LLM. This development signifies that our technology has progressed from understanding human language to acquiring cognitive abilities, and further to generating new content in the healthcare industry. In this process, our medical knowledge graphs provided detailed and structured information to continuously improve our healthcare AI technology and its application. Based on these fundamental capabilities, we create modular healthcare plug-ins, such as functionalities for suggesting appropriate medication, analyzing medical reports, controlling the quality of EMR, creating patient profiles and labelling medical terms. By integrating these healthcare plug-ins, we develop specific capabilities such as CDSS, medication recommendations and intelligent triage. These are complex applications that bear a considerable resemblance to the mental process of healthcare professionals in making decisions. Combining these technologies, capabilities and plug-ins with our industry insight, we develop and launch products and services to address real-world customer demands.

The following diagram shows the ecosystem underpinned by our technology capabilities, serving key stakeholders in the healthcare system. Benefiting from technology empowerment, we curate a diverse matrix of products and services. By serving doctors at PHC institutions and hospitals, we assist them in providing enhanced services to patients. In the meantime, regional healthcare administrators can use data stored on their platforms, aggregated and analyzed by our offerings, to support their decision-making. As a result, we have accumulated in-depth industry insights, which in turn helps us continuously enhance our technology capabilities, creating a virtuous cycle.



We nimbly adapt to the latest policies on healthcare reform, medical development and application of technologies in the healthcare system and strategically align R&D efforts with market trends. As a result, we are able to continuously meet the ever-changing needs of the healthcare industry and expand our diversified customer and user base comprising PHC institutions and hospitals, patients and other individual customers, as well as regional healthcare administrators. Regional healthcare administrators usually oversee multiple PHC institutions in their respective regions. As of the Latest Practicable Date, we offered products and services to approximately 60,000 PHC institutions spanning more than 610 districts and counties in more than 30 provinces, as well as more than 500 hospitals (including more than 40 out of the Top 100 hospitals and seven out of the Top ten hospitals in China). As of the same date, our post-discharge management platform has served more than 263,000 patients. Our General Practice CDSS, the first and only machine in the world that passed the National Medical Licensing Examination ("NMLE") (General Written test) as of the Latest Practicable Date, ranked first in terms of revenue with a market share of 61.5% in China's PHC institution CDSS market in 2023, according to Frost & Sullivan. Our General Practice CDSS won first prize in the "Medical AI" category in the "First National Digital Health Innovation and Application" Competition co-organized by the NHC and other regional healthcare administrators in 2023.

Our technology capabilities, extensive customer base and brand recognition have contributed to the large-scale commercialization of our healthcare AI solutions. Our revenue increased by 26.7% from RMB372.5 million in 2021 to RMB471.9 million in 2022, and by 17.9% to RMB556.1 million in 2023. Our revenue increased by 17.8% from RMB194.5 million in the six months ended June 30, 2023 to RMB229.2 million in the six months ended June 30, 2024. Our gross profit increased by 22.9% from RMB187.7 million in 2021 to RMB230.7 million in 2022, by 36.4% to RMB314.7 million in 2023 and further by 19.6% from RMB101.4 million in the six months ended June 30, 2023 to RMB121.2 million in the six months ended June 30, 2024. As of December 31, 2021, 2022, 2023 and June 30, 2024, save for customers of our Cloud Medical Imaging Platform and Medical Device, the hearing aids, we had accumulatively served 438, 639, 1,007 and 1,207 customers, respectively.

Our Market Opportunities

The AI industry has witnessed technology breakthroughs such as LLMs, especially domain-specific LLMs, which have demonstrated exceptional performance on medical-related NLP tasks. According to Frost & Sullivan, LLMs are expected to promote global economic growth in the near term, with domain-specific LLMs offering notable market opportunities in specific and complex industries, including healthcare. With enhanced HCI, along with more extensive medical knowledge graphs targeting different specialized diseases, healthcare LLMs are expected to be applied significantly across all key stages in healthcare service offering, including pre-visit, diagnosis and treatment, and post-discharge management. According to Frost & Sullivan, the market size of healthcare AI in China is projected to increase from RMB8.8 billion in 2023 to RMB315.7 billion in 2033, with a CAGR of 43.1% from 2023 to 2033. As a leader in the healthcare AI industry in China advancing the development and commercialization of healthcare LLMs, we believe we are well-positioned to seize the available market opportunities with our Xunfei Spark Medical Model.

Our Products and Solutions

Our healthcare AI solution matrix caters to the diverse needs of major stakeholders in the healthcare industry, extending our reach from PHC institutions to hospitals, patients and other individual customers, as well as regional healthcare administrators. Our products and solutions support a range of healthcare services, ranging from health risk warnings, early screening, auxiliary diagnosis and treatment as well as treatment effect evaluation to post-discharge management and chronic disease management. In particular:

- *PHC Services*. Our PHC Services business line, including our first mature offering in our healthcare AI solution matrix, consists of General Practice CDSS and Chronic Disease Management Tools.

  Our General Practice CDSS provides medical recommendations and auxiliary support to doctors at PHC institutions to enhance clinical skills, improve their ability to assess medication appropriateness and standardize their diagnosis and treatment process, thereby reducing medical errors. Our General Practice CDSS products combine our NLP model and self-developed medical knowledge graphs to provide diagnosis suggestions, test and examination suggestions as well as medication examinations that are ancillary to healthcare services. It also offers monitoring services for regional healthcare administrators such as provincial-level health commissions, enabling evidence-based quality control and precise management.

  Our Chronic Disease Management Tools establish a tiered management model for chronic diseases such as hypertension and hyperglycemia. With day-to-day test results collected from Medical Device, our Chronic Disease Management Tools help measure health conditions of patients and people with a higher risk of chronic diseases, conduct risk stratification and assist doctors in making tailored management plans. Empowered by the Xunfei Spark Medical Model, our Chronic Disease Management Tools allow for adaptive responses based on new patient data or physician input, ensuring that each patient's disease management plan is continually optimized based on his or her evolving health status and patient profile in the post-diagnosis phase. Using such tools, patients can promptly receive proper healthcare services at either PHC institutions or hospitals based on the severity of their conditions, and doctors and medical professionals at PHC institutions can increase their work efficiency with more precise patient management. In addition, regional health commissions can actively monitor information such as the chronic disease control rate, the activeness of chronic disease management services in the community and expert consultation service frequencies using our chronic disease management statistical analysis tools.

- *Hospital Services.* Our Hospital Services business line, encompassing Smart Hospital Solutions and Intelligent Assistant, integrates diversified medical scenarios in the hospital ecosystem. It empowers healthcare services and improves the operational efficiency of hospitals and doctors.

Our Smart Hospital Solutions are developed to improve the efficiency and medical service quality of doctors in the area of patient management. For example, using our speech and image recognition, medical reasoning, multi-round medical dialogue generation and multi-modal interaction technologies, our solutions provide panoramic information on patients with 24/7 accessibility and help doctors generate EMRs and medical advice through our medical speech-to-text tools. Our solutions also help hospital management's decision-making by providing statistical analysis of operational data.

Our Intelligent Assistant facilitates hospitals in enhancing overall efficiency and the service quality of doctors. Embedded into the hospital information system, our Intelligent Assistant can be seamlessly integrated into inpatient and outpatient scenarios with functionalities such as Specialized CDSS based on technologies such as NLP, deep learning, medical knowledge graphs, evidence-based medical reasoning as well as the question and knowledge database for each disease and AI EMR quality control based on medical knowledge graphs, semantic parsing, language standardization and advanced clinical language understanding technologies.

- *Patient Services.* Our Patient Services business line includes Post-discharge Management Platform (including our Xunfei Xiaoyi App and Mini Program), Cloud Medical Imaging Platform and Medical Device. By offering Patient Services, we have extended our business scope to the end users of the healthcare system, securing long-term and stable profitability and growth.

  Our Post-Discharge Management Platform is developed to customize patient management planning post-discharge. Benefiting from our multimodel interaction and medical reasoning capabilities, patients can connect with their doctors on this platform, upload their medical history after they are discharged, receive medication reminders and conduct self-reports. Benefiting from our multi-round interaction and speech recognition technologies, they can also use the platform to communicate with doctors and receive answers to frequently asked questions in the recovery process with our built-in chatbot. The platform also serves as a tool for doctors to gather and analyze data in relation to patient recovery.

  Our Cloud Medical Imaging Platform is designed to provide remote medical imaging services and aid the implementation of a tiered diagnosis and treatment system based on big data, image recognition, image processing and medical cognitive intelligence and reasoning technologies. With coverage across Anhui Province, doctors in hospitals across classes in the province upload imaging results to our Cloud Medical Imaging Platform and view imaging results uploaded by other hospitals. As of the Latest Practicable Date, more than 1,970 healthcare institutions and more than 3,200 experts have registered on this platform. As of the same date, our Cloud Medical Imaging Platform has offered nearly 8.4 million remote consultation services and has recorded more than 112 million usages of data upload services in Anhui Province.

Our Medical Device primarily consists of hearing aids. During the Track Record Period, we have mainly provided our hearing aids to individual customers via e-commerce platforms. Equipped with our scene recognition system technology, AIScene, the hearing aids can monitor the user's environment in real-time to provide enhanced functions, such as noise reduction.

In October 2023, we launched a patient-oriented application empowered by Xunfei Spark Medical Model, Xunfei Xiaoyi App and Mini Program, to meet the needs of patients across the pre-visit, consultation or treatment and post-discharge phases. Its pre-visit enquiry function can significantly improve the efficiency of consultations. Xunfei Xiaoyi App and Mini Program also supports medication planning, significantly reducing potentially inappropriate medications. Patients can also use this application to interpret medical and health check examination reports, create health reminders based on such reports and identify the correct department for subsequent follow-up visits.

- *Regional Healthcare Solutions*. Our Regional Healthcare Solutions business line consists of Regional Healthcare Administrator Services and Medical Insurance Administrative Solutions.

  Our Regional Healthcare Administrator Services are designed to promote integrated healthcare administration, covering outpatient services, inpatient services and public health services, empowered by spatiotemporal clustering analysis, epidemic evolution prediction and deep reasoning based on medical knowledge graphs. With our services, regional healthcare administrators can monitor and manage the capabilities of healthcare service providers at PHC institutions, especially those in lower-tier cities. Regional healthcare administrators can also use our services for infectious disease control.

  Our Medical Insurance Administrative Solutions allow us to expand our customer base from healthcare service providers to healthcare payors. Regional medical security bureaus, PHC institutions and hospitals can use our data-driven solutions to examine and analyze the reasonableness of insurance claims. Our solutions, underpinned by our NLP technologies, primarily examine EMRs and report abnormality such as overtreatment or potential insurance fraud to regional medical security bureaus. We believe our solutions help provide visibility into health expenditure for regional healthcare administrators, assist in the prevention of misuse of health insurance funds and facilitate the efficient deployment of health insurance funds.

Our Technological Advantages

We independently develop technologies based on our deep insights into the healthcare industry. We have established a core technological framework centered around deep neural networks, deep learning and medical knowledge graphs, as well as proprietary core technologies in areas such as speech recognition, image recognition and NLU in the healthcare domain. Our technological advantages are notably exemplified by the following breakthroughs:

- we were the only corporate participant in the development of the "Technical Evaluation System and the Standard Specifications of LLMs for Use in Healthcare." This is one of the first industry standards setting the rules for the use of relevant healthcare AI technologies in China to assess the use of AI technologies in the healthcare industry, according to Frost & Sullivan;

- our Xunfei Spark Medical Model has outperformed GPT-4 Turbo in six medical-related NLP tasks as of the Latest Practicable Date, including expert-level medical knowledge graph question answering, clinical language understanding, medical document generation, disease diagnostic and treatment recommendations, multi-round medical dialogue generation and multi-modal interactions in medical scenarios, according to the test organized by the CTTL, which is part of the CAICT; and

- our research branch, dedicated to fundamental technology advancement and industry ecosystem formulation, was accredited as the Key Laboratory for Medical AI Research and Application of Anhui Province. Our research efforts help us solidify our technology advancements to further promote healthcare AI development and continue meeting systemic demand in the healthcare industry.

COMPETITIVE STRENGTHS

Commercialization Capabilities of AI-Powered Products and Services in China's Healthcare Industry with the Largest Customer Coverage

Empowering the healthcare industry with AI technologies

We strive to propel a diagnosis model via HCI with our products and services ancillary to healthcare services, thereby seizing the opportunities of the healthcare AI industry and facilitating healthcare reform.

- We launched General Practice CDSS, the first and only machine in the world that passed the NMLE (General Written test) as of the Latest Practicable Date, according to Frost & Sullivan. Our General Practice CDSS ranked first in terms of revenue with a market share of 61.5% in China's PHC institution CDSS market in 2023, according to the same source. Our General Practice CDSS won first prize in the "Medical AI" category in the "First National Digital Health Innovation and

Application" Competition co-organized by the NHC and other regional healthcare administrators in 2023. As of the Latest Practicable Date, our General Practice CDSS as assistance offered to doctors at medical institutions has assisted in 877 million diagnoses, sent 1.6 million notifications in scenarios where doctors' diagnostic decisions clearly deviated from the suggested diagnosis treatment and sent 89.3 million alerts in scenarios of potentially inappropriate medications or high-alert medications.

- We were the only corporate participant engaged in the development and rule-setting of the "Technical Evaluation System and Standard Specifications of LLMs for Use in Healthcare," which are expected to serve as vital standards and guidelines in the development of the industry in the future.

We believe our healthcare AI solution matrix helps to improve the efficacy of the healthcare system. For example, our PHC Services can enhance the general practice clinical skills of doctors and medical professionals at PHC institutions, increasing the access to quality healthcare services. As a result, our PHC Services can optimize healthcare resource allocation and reduce medical expenses. We have established extendable solutions from general practices to specialties to meet diverse medical needs. Our Hospital Services effectively enhance the work efficiency and medical service quality of doctors as well as improving patient healthcare experience and patient compliance (the extent to which the patient's behavior matches the doctor's recommendations). Our adaptable solutions can be easily scaled in both economically developed and economically challenged regions as we adopt different approaches based on the specific needs of each region, taking into account factors such as digitalization level.

Large-scale commercialization of healthcare AI solutions

We have accumulated a wide customer base, including PHC institutions and hospitals, patients and other individual customers, as well as regional healthcare administrators. As of December 31, 2021, 2022, 2023 and June 30, 2024, save for customers of our Cloud Medical Imaging Platform and Medical Device, the hearing aids, we had accumulatively served 438, 639, 1,007 and 1,207 customers, respectively. In particular, as of the Latest Practicable Date, our General Practice CDSS, as assistance offered to doctors and medical professionals, covered more than 610 districts and counties in more than 30 provinces in China. It has provided more than 340 million EMRs standardization suggestions, more than 877 million AI-assisted diagnosis and treatment suggestions and more than 1.5 million diagnosis rectifications. As of the same date, our Hospital Services covered more than 500 hospitals (including more than 40 out of the Top 100 hospitals and seven out of the Top ten hospitals in China).

Our commercialization capabilities are demonstrated through our ever-expanding customer reach. In line with regulatory focus and policy development, we develop AI-empowered products and services to enhance the clinical skills and work efficiency of doctors. With extensive experience and brand recognition established on landmark projects for regional healthcare administrators and PHC institutions, we further develop and promote our solutions designed for hospitals and individuals. Through the two-way referral platform that bridges

PHC institutions and hospitals, coupled with the regional medical database, we integrate our solutions designed for each of the PHC institutions and hospitals to generate synergetic effects and expand customer reach. For solutions designed for individuals, we offer tools such as post-discharge management platform, which also satisfy the needs of regional healthcare administrators, hospitals, doctors, patients.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we have recorded RMB372.5 million, RMB471.9 million, RMB556.1 million, RMB194.5 million and RMB229.2 million in revenue, respectively, and RMB187.7 million, RMB230.7 million, RMB314.7 million, RMB101.4 million and RMB121.2 million, respectively, in gross profit.

Technological Capabilities Combined with Understanding of the Healthcare Industry Form Unique Advantages

Capitalizing on our strengths in AI technology and talents with backgrounds across the healthcare and AI technology fields, we have developed proprietary technological capabilities to meet systemic demand in the healthcare industry.

Leading AI technology capabilities underpinned by technological resources and R&D capacities

As a subsidiary of iFlytek Group, the leader of AI and speech technology in China, according to Frost & Sullivan, we aim to facilitate the development of healthcare AI. Benefiting from iFlytek Group's globally recognized technical advancements accumulated over 20 years, we independently develop technologies based on our deep insights into the healthcare industry. We have established a core technological framework centered around DNNs, deep learning and medical knowledge graphs, as well as proprietary core technologies in areas such as speech recognition, image recognition and NLU in the healthcare domain. In particular, NLU is key for us to keep expanding our medical knowledge graphs via unsupervised learning of clinical guidelines, and expert consensus, which contributes to our accumulation of industry insights. Notably:

- Our proprietary General Practice CDSS became the first machine in the world to pass the NMLE (General Written test), according to Frost & Sullivan. Our General Practice CDSS scored 456 points in the examination, exceeding 96.3% of human candidates attending the same examination.

- We have independently developed and launched our Xunfei Spark Medical Model based on trillions of parameters from datasets, including clinical guidelines, expert consensus and academic literature. The Xunfei Spark Medical Model has capabilities of medical knowledge graphs, complex clinical language understanding, medical document generation, evidence-based diagnosis and treatment ancillary to doctors and medical professionals in clinical settings, interactive multi-round consultations, humanistic care and self-reinforcement.

Our Xunfei Spark Medical Model has undergone rigorous evaluations and outperformed GPT-4 Turbo in six medical-related NLP tasks as of the Latest Practicable Date, including expert-level medical knowledge graph question answering, clinical language understanding, medical document generation, disease diagnostic and treatment recommendations, multi-round medical dialogue generation and multi-modal interactions, according to the third-party test conducted by the CTTL, which is part of the CAICT.

As of the Latest Practicable Date, our R&D team comprised more than 400 personnel, with core members averaging more than seven years of experience. Our R&D team is committed to developing, enhancing and optimizing our core algorithms and models.

Understanding of the healthcare industry to support the implementation and commercialization of AI technology, including LLMs

We take pride in our understanding of the healthcare industry supported by our medical expert team with extensive industry know-how, which differentiates us from general AI players or technology companies. As a result, we are able to meet the fundamental needs and high standards for medical professionalism inherent in the healthcare AI industry. Our industry-specific knowledge is supported by continuous user feedback collected from real-world scenarios. As of the Latest Practicable Date, we have formed strategic collaborations with top-tier research medical institutions, such as the Chinese Medical Association Publishing House. These collaborations allow us to access a large volume of authoritative medical data from official multilingual medical clinical guidelines, expert consensus and academic literature. With this extensive dataset, we are able to continuously improve and upgrade our AI models, including the Xunfei Spark Medical Model.

Our in-house medical experts play a pivotal role in enhancing our know-how in the healthcare industry. As of the Latest Practicable Date, we engaged more than 60 medical professionals, who closely work with more than 400 Class II and Class III hospitals across China, helping our healthcare AI technology better meet real-world demand. In particular, our Xunfei Healthcare Research Institute has amassed talents with backgrounds across the healthcare and AI technology fields in order to continue developing medical knowledge graphs and optimizing algorithms from the perspective of the healthcare industry. Our Xunfei Healthcare Research Institute serves as the foundation for our development and implementation of core technologies, solidifying our competitive strength in AI technology and industry know-how.

Solutions Enable an Extendable Product Portfolio Capable of Addressing Massive and Unmet Demand

The healthcare AI industry in China is large and fast-growing, characterized by an increasingly diverse range of AI-empowered healthcare scenarios. According to Frost & Sullivan, the market size of healthcare AI in China is projected to increase from RMB8.8 billion in 2023 to RMB315.7 billion in 2033, with a CAGR of 43.1% from 2023 to 2033. We are committed to enriching our product portfolio to seize potential advantages in the market.

Solution Development Enriching the Features and Functions of Healthcare AI Solutions

Based upon our technology infrastructure, products and services can be modularized, extended and integrated, allowing us to efficiently enrich our product portfolio to address customers' ever-evolving needs. Based on our fundamental technologies capabilities, we create modular healthcare plug-ins, such as functionalities for suggesting appropriate medication, analysing medical reports, controlling the quality of EMRs, implementing patient data standardization, creating patient profiles and labelling medical terms. By integrating these healthcare plug-ins, we develop specific capabilities such as CDSS, medication recommendations, intelligent triage and Smart Hospital Solutions across the pre-during-post diagnosis phases. These are complex applications that bear a considerable resemblance to the mental process of healthcare professionals and hospital management in making decisions. Combining these technologies, capabilities and plug-ins with our industry insight, we are able to rapidly and efficiently develop and launch products and services to address real-world customer demands. Combing such solution development capabilities and our industry insights, we can efficiently transition individual products and services into upgraded or integrated solutions. In particular, we are able to launch solutions to address the systemic and fundamental demand. Such partnerships extend the coverage of our solution matrix to scenarios such as public health, medical insurance and chronic disease management, allowing us to strengthen our market presence.

For example, in 2022, we deployed our Chronic Disease Management Tools in Gansu Province for chronic diseases including hypertension, diabetes, chronic obstructive pulmonary disease and stroke. As of the Latest Practicable Date, our Chronic Disease Management Tools had covered approximately 19,000 PHC institutions in more than 80 counties and districts in Gansu Province, serving more than three million elderly residents. With the implementation of our Chronic Disease Management Tools in Gansu Province, the disease control rate for hypertension increased from 51% before such implementation to 71% and the disease control rate for diabetes increased from 52% before such implementation to 68%.

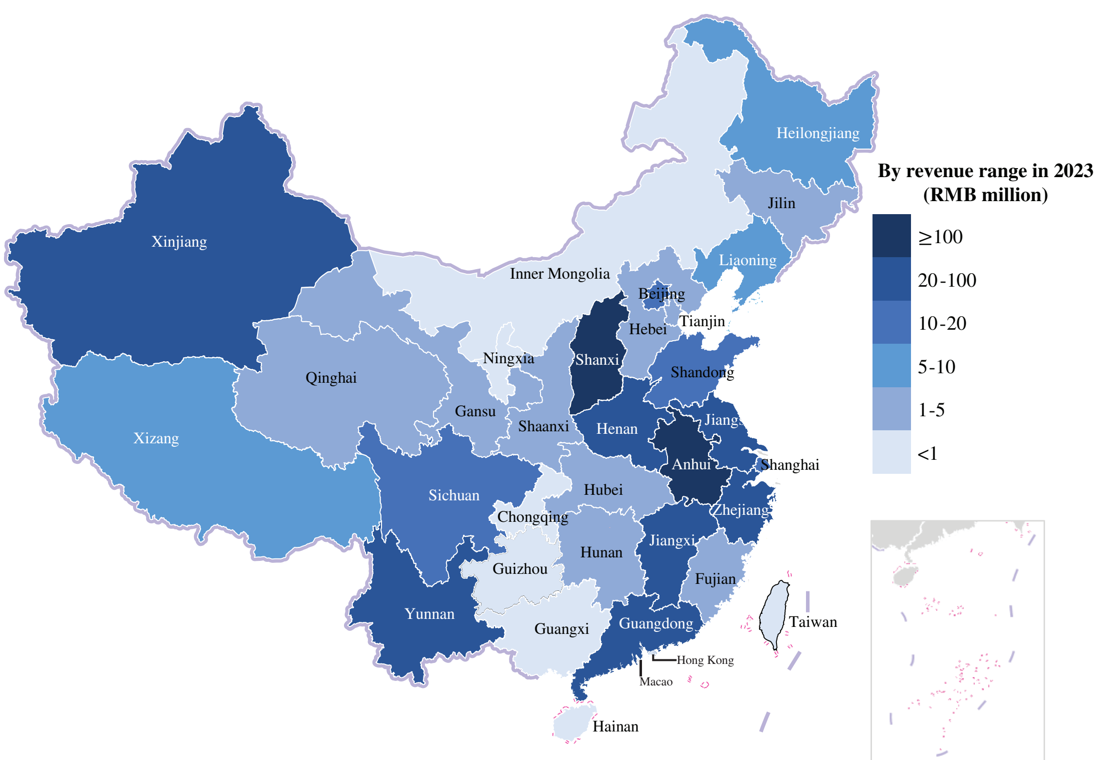
Extendable and Scalable Solution Matrix to Address Diversified Demand

We strive to continuously achieve systemic innovation and diversify our product and service portfolio to seize potential advantages in the market. The rapid expansion of solution categories has laid a foundation for the sustainable expansion of our business.

Our products and services are developed based on our insights in the healthcare industry to address evolving market demand. In response to demand for tiered diagnosis and treatment as well as the efficient deployment of health insurance funds, we have launched products and services supporting the two-way referral system. In particular, we have integrated our solutions designed for PHC institutions and hospitals through functions such as remote consultation and two-way referral. When patients with critical or complex diseases are admitted to PHC institutions, doctors at hospitals can use our products to offer diagnostic and treatment recommendations online based on shared EMRs. Patients can be referred to PHC institutions after receiving treatment at hospitals for rehabilitation and post-discharge follow-ups, which helps optimize allocation of medical resources and addresses the pain point of overcrowding at hospitals. We believe our offerings facilitate collaboration and connectivity between PHC institutions and hospitals, as well as the efficient deployment of health insurance funds by reducing over-examination or over-treatment.

We have progressively developed solutions tailored for extensive scenarios, including chronic disease management, infectious disease prevention and control and medical insurance management. We have further integrated these individual solutions to form one-stop solutions for regional healthcare administrators. Furthermore, leveraging our extensive experience and brand recognition established on landmark projects for PHC institutions and regional healthcare administrators, we can effectively broaden our reach to hospitals and individual customers.

Our solutions are easily replicable and scalable based on our ability to serve regions with different economic conditions. For example, our services are suitable not only for economically developed regions, but also for economically developing regions with a lower level of digitalization where competitors may find it challenging to establish a presence. We have gradually established and deepened our presence across an increasing number of provinces and cities to effectively penetrate addressable markets. As of the Latest Practicable Date, we had deployed regional integrated solutions with contract amounts of RMB50 million or above across China and had established our competitive edge in China's key regions, possessing significant commercial potential to generate continuous revenue.



Synergistic Commercialization Strategies that Fuel Future Growth

To address the ever-evolving and diverse needs in the healthcare AI industry, we combine top-down strategic planning in line with technology advancements, regulatory focus and policy development and bottom-up market insights from feedback collected from our diversified customer base. We also actively promote our products and services via marketing activities and customer education. We believe such synergistic commercialization strategies help facilitate cross-selling across different business segments, thereby increasing customer satisfaction and enhancing our overall business performance. As of June 30, 2024, more than 200 customers have purchased at least two of our products or services.

Synergistic Commercialization Strategies Expands Customer Coverage

Based on our technological advantages and efficient commercialization capabilities, we connect PHC institutions, hospitals and individuals through the wide application of our healthcare AI solution matrix. Our synergistic commercialization strategies enable swift and efficient expansion of customer coverage. We develop products and services to assist doctors, particularly at the level of PHC institutions, in line with regulatory focus and policy development in the healthcare industry. The successful application of our products at PHC institutions showcases our service capabilities and helps us further efficiently promote our products and services to regional healthcare administrators. With a high brand reputation, we are able to efficiently promote our products and services, such as Chronic Disease Management Tools, to hospitals and residents.

Our universal health information platform is testament to our ability to enlarge our customer base to include regional healthcare administrators and hospitals in addition to PHC institutions. We first help our customers build an archive of residents' health information, an EMR system and a healthcare resources database, to strengthen the healthcare capabilities for PHC institutions in the province. This platform can be connected with our other products for regional healthcare administrators and hospitals, including our Medical Insurance Administrative Solutions and Post-Discharge Management Tools. The application of such products and services has helped us achieve recognition by Anhui Provincial Health Commissions and build our brand recognition, thereby effectively promoting our products and services to local hospitals. In addition, insights accumulated from serving PHC institutions also help us further develop an array of solutions, including Chronic Disease Management Tools and the infectious disease EWARS solutions. In turn, our products and services have contributed to regional healthcare administrators' public health management initiatives, creating synergies and strengthening the connection between hospitals and PHC institutions.

We are committed to launching and commercializing new products to address the unmet demands of key industry stakeholders with innovation. For example, our Medical Insurance Administrative Solutions facilitate the efficient deployment of health insurance funds and optimize the allocation of healthcare resources for provincial health commissions. Such solutions also help regional medical security bureaus in regulating the use of public health insurance funds by providing pre-claim reminders, mid-claim alerts, post-claim monitoring and claim analysis. Regional medical security bureaus can use our services to identify misuses of health insurance funds, such as non-compliance with medical insurance regulations, over-treatment and overpricing.

Broad Customer Coverage Fuels Product Development and Cross Selling

By serving key stakeholders in the healthcare industry, we are able to acutely capture emerging market demand. We respond to such market demand, enrich our product portfolio and seize new opportunities by exploring the emerging needs of existing customers and strengthening customer stickiness. For example, our Post-Discharge Management Platform, which has been greatly enhanced by our Xunfei Spark Medical Model, facilitates follow-up consultations and reduces unnecessary health visits of patients. Our upgraded platform helps standardize chronic disease management throughout the full cycle of post-discharge management with improved patient experience and increased volume in follow-up consultations. As a result, we are also able to further deepen our connection with individual customers.

Our synergistic commercialization strategies enable us to swiftly expand our business coverage, as showcased by the development and upgrade of our flagship product, General Practice CDSS. In 2017, the underlying AI model passed the NMLE (General Written test), according to Frost & Sullivan. In 2018, we launched pilot projects for General Practice CDSS in four counties and one district in Anhui Province to improve clinical skills at PHC institutions. With wide acceptance and proven effectiveness, General Practice CDSS was rapidly implemented at PHC institutions across Anhui Province in 2020, serving more than 100 districts and counties. As of the Latest Practicable Date, we have provided General Practice CDSS to more than 30 provinces in mainland China, serving PHC institutions in more than 610 districts and counties.

We launched our infectious disease EWARS solutions in Hefei, Anhui Province, to facilitate the digitalization of infectious disease prevention and control. As of the Latest Practicable Date, this platform allows its users to conduct spatiotemporal clustering analysis, epidemiological forecasting and medical knowledge graph-supported deep reasoning based on multi-modal data collected from more than 17,000 PHC institutions and approximately 20 hospitals. Our solution supports prompt infectious disease EWARS by monitoring the indicators of 41 statutorily designated infectious diseases, 15 non-statutorily designated infectious diseases and six major syndrome groups. Since 2023, our platform has assisted regional healthcare administrators in monitoring and managing commonly seen infectious diseases such as influenza, norovirus and respiratory infectious diseases.

As we continuously commercialize our capabilities, we create value for all stakeholders in the healthcare industry with continuous improvements and upgrades of our products and services. Such efforts in turn allow us to gather industry insights, thereby enhancing our healthcare capabilities.

Management Team with Interdisciplinary Expertise

Our senior management team is composed of professionals with experience in the AI and healthcare industries, including AI technology, product development, healthcare services, marketing and finance. On average, our senior management members have more than nine years of experience in the AI industry and ten years of experience in the healthcare industry. In addition, as of June 30, 2024 more than 38% of our management members had an interdisciplinary background in the healthcare and technology fields.

Our General Manager and Executive Director, Dr. Tao Xiaodong, has amassed abundant experience in the fields of AI and healthcare. Dr. Tao received his bachelor's degree in electronic engineering and information science from University of Science and Technology of China and his doctorate degree from Johns Hopkins University. He concurrently serves as a senior member of the Institute of Electrical and Electronics Engineers ("IEEE") with a research focus related to medical imaging. Dr. Tao has more than 19 years of experience at prominent global companies. For example, during his time at GE Healthcare China of General Electric Company, Dr. Tao conducted medical imaging research. During his time at Koninklijke Philips Electronics N.V., Dr. Tao served as the principal scientist at Philips Research China and subsequently the chief solutions architect at Philips Healthcare Radiology Solutions, where he led teams in scientific research and product development covering imaging equipment, imaging methods, and clinical applications. Dr. Tao joined iFlytek Group in December 2016 and has since then served as the executive Director and General Manager of our Company. Dr. Tao has been leading our operations on product research, development and commercialization.

Our Chairman, Dr. Liu Qingfeng, has played a crucial role in the establishment and rapid development of iFlytek Group and participated in the establishment of our Company. Dr. Liu received his master's degree in communication and electronic systems and his doctoral degree in signal and information processing from University of Science and Technology of China. Dr. Liu has more than 25 years of professional and management experience in the AI industry. Dr. Liu's leadership of our operation reflects iFlytek Group's commitment to achieving practical implementation in the healthcare industry. Benefiting from the leading status and brand image of iFlytek Group in the AI industry as well as our talents, we are well-positioned to drive market development through superior product performance and high-quality services.

BUSINESS STRATEGIES

Continue to Strengthen our Healthcare AI Infrastructure and AI Capabilities with Increased R&D Investments to Sustain Competitive Edge

We plan to continue strengthening our healthcare AI infrastructure and AI capabilities. Specifically, we plan to: (i) continue obtaining industry insights in medical scenarios; (ii) continuously enrich our service offering based on such insights; (iii) enhance our capabilities in data analysis; and (iv) increase our collaborations with R&D partners, such as industry associations, healthcare research institutes and universities. In addition, we will continue expanding our medical knowledge graphs to train AI models by improving our abilities in knowledge aggregation and analysis, extraction, modeling, mapping, fusion, storage and mining.

We will continuously develop and upgrade our algorithms and models. To achieve this end, we intend to conduct R&D both in-house through Xunfei Healthcare Research Institute and via collaboration with reputable R&D institutions. We also intend to further enhance our technology infrastructure to support AI model training through strategic collaborations. In addition, we will continue enhancing our hardware to ensure stable data storage and output.

We plan to continue upgrading our Xunfei Spark Medical Model. We intend to continue enhancing our dataset and medical knowledge graphs for model training, expanding the parameter scale, as well as broadening and deepening its applications to accommodate a wider range of healthcare scenarios. We also plan to further integrate our Xunfei Spark Medical Model into our healthcare AI solutions to broaden the coverage of our products and services, enhance their performance and improve our technology capabilities. As a result, we will solidify our technology advantages.

We will continue our strategic collaboration with well-known hospitals, medical research institutions and universities for joint R&D. We aim to solidify our leading position and brand recognition in connection with our healthcare AI capabilities by achieving technological breakthroughs, such as advancements in LLMs in healthcare.

Expand Geographical Coverage and Customer Reach

We plan to broaden and deepen our collaboration with existing PHC institutions and hospital customers by diversifying our solution matrix. We aim to maintain close relationships with our existing customers and continue increasing the revenue per customer transaction as we expand and enrich our solution matrix. In addition, we plan to actively acquire new customers. Specifically, we plan to significantly broaden our market presence at the district-and-county level. As of the Latest Practicable Date, our business covered more than 610 districts and counties in more than 30 provinces, accounting for approximately 21% of districts and counties in China.

We intend to further broaden the coverage of our Hospital Services in Class II and Class III hospitals. We will provide our Medical Insurance Administrative Solutions to hospital customers, helping them improve operational efficiency and enhance capabilities of risk prevention and control. We will continue upgrading our solutions, especially those associated with patient management.

We will expand our sales team and improve its work efficiency. We will evaluate the sales results and performance and strategically establish local business centers to further expand the depth and breadth of our geographical coverage. In addition, we may further attract overseas talent to further seek business opportunities.

We will further explore opportunities for long-term collaboration with regional healthcare administrators and continue to implement pilot projects. With our abundant and diverse project experience, we believe we are able to obtain more collaboration opportunities with multi-level healthcare administrators. These new collaborations will further showcase our capabilities and enhance our brand recognition.

Continuously Optimize Solution Matrix and Promote Operating Efficiency

We will continue optimizing and upgrading existing products and services to steadily boost our market share and sustain our leadership. We will continue to strengthen our capabilities in specialization, intelligentization, digitalization and informatization of our existing products and services. For example, we plan to further upgrade our General Practice CDSS to cover other medical specialties in addition to the scenarios experienced by doctors and medical professionals at PHC institutions. We also plan to enrich our offerings in Medical Device to benefit patients and other individual customers with enhanced capabilities in health management. To achieve this end, we will further scale up our R&D investments for our medical device products or seek mergers and acquisition opportunities such as hardware product manufacturers. We will also increase the usability and accessibility of our products.

We intend to keep abreast of industry trends and market demand in the healthcare industry and strategically adjust our R&D efforts. We will continue communicating and collaborating with medical research institutions and other industry stakeholders to enrich our offerings and expand the applications of our products and services.

We also plan to improve our operational efficiency. Specifically, we set out to continuously improve our profitability by managing selling and marketing, research and development, as well as administrative expenses.

Seize New Profit Opportunities Through Synergistic Commercialization Strategies

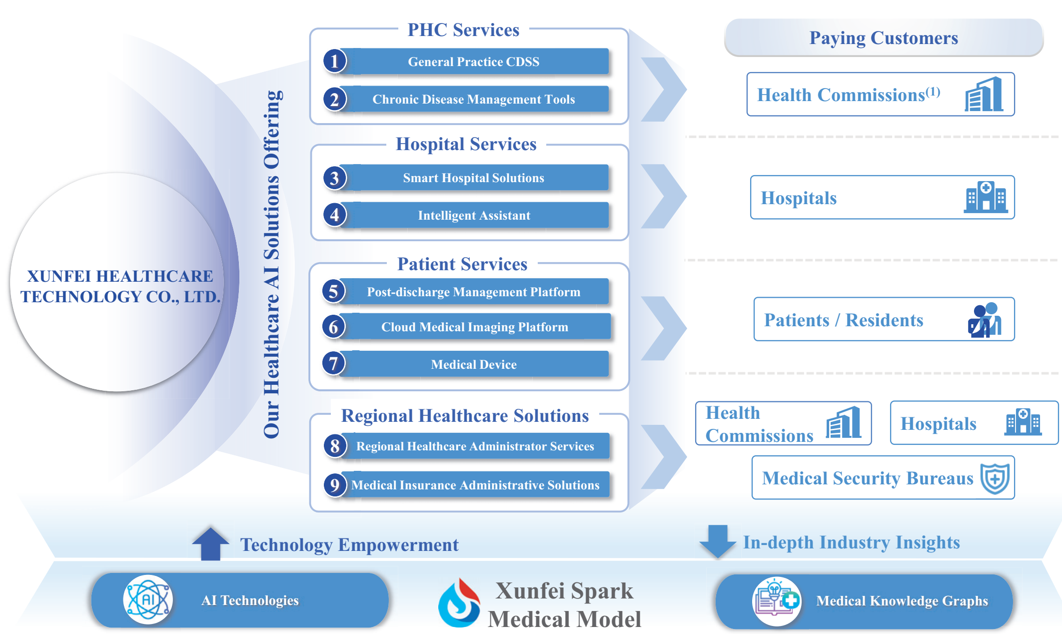
We aim to seize new profit opportunities for our products and services. We plan to increase and diversify our revenue by further expanding our Hospital Services, Regional Healthcare Solutions and Patient Services.

We will strategically continue engaging regional healthcare administrators, assisting hospitals and serving patients and other individual customers. We will continue to enhance brand image by further: (i) engaging in landmark projects for regional healthcare administrators; (ii) promoting our products and services to PHC institutions and hospitals and accumulating industry insights from the application of our products and services in the healthcare industry; and (iii) extending our product and service offerings to patients and other individual customers.

Specifically, we will respond to the demand in the healthcare industry and explore opportunities to further extend services to individual customers. We plan to diversify our Medical Device portfolio to individual customers and expand our market coverage by widening the range of our products and services. For example, we plan to augment our hearing aids with other services to help individual customers in health management. In addition, we plan to launch more types of medical device products. We plan to expand our healthcare AI offerings and further target individual customers through our existing products and services such as Post-Discharge Management Platform, Chronic Disease Management Tools and Cloud Medical Imaging Platform. This will increase customer stickiness, which serves as the foundation for us to further expand our healthcare AI offerings. We will also explore collaboration with pharmaceutical companies and insurance companies to broaden our customer base of medical device products.

OUR BUSINESS MODEL

We consistently amalgamate our technological advantages and strategically integrate resources to optimize our healthcare AI solution matrix. Our main business consists of our PHC Services, Hospital Services, Patient Services and Regional Healthcare Solutions.



Note:

(1) For PHC Services segment, the paying customers are health commissions, while the end users are PHC institutions.

PHC Services, comprising General Practice CDSS and Chronic Disease Management Tools, is our first mature offering in our healthcare AI solution matrix. Benefiting from the market coverage of our PHC Services, we started offering Regional Healthcare Solutions to regional healthcare administrators to assist in providing integrated regional management. Our Hospital Services integrate various medical scenarios at hospitals. They are able to support healthcare services and improve the operational efficiency of hospitals. Our Patient Services, including Post-discharge Management Platform, Cloud Medical Imaging Platform and Medical Device, expand our business scope to cover individuals, the end users in the healthcare system, to secure long-term and stable profitability and growth.

Our products and services address systemic demands of major stakeholders in the healthcare industry:

- Our products and services improve the capability and increase the efficiency of healthcare service providers, mainly medical institutions (including both PHC institutions and hospitals) and doctors. In particular, doctors at PHC institutions are able to improve their capabilities with our General Practice CDSS. Doctors at hospitals can use our products and services across stages of care from pre-treatment to post-discharge management to increase their work efficiency. Doctors at both PHC institutions and hospitals can also use our AI-empowered tools to effectively facilitate administrative tasks, which traditionally tend to be redundant and time-consuming.

- Using our products and services, residents can receive better healthcare services suited to their medical conditions at either PHC institutions or hospitals in a timely manner. We believe our offerings help reduce over-examination and overtreatment and improve patient experience. Our products and services promote collaboration among patients and doctors in patients' ongoing health management, thereby enhancing the continuity of care for patients. For example, our Chronic Disease Management Tools help patients associated with chronic diseases track their health status at home daily. Such continuous and comprehensive medical history helps ensure current care appropriate for each patient.

- We are dedicated to partnering with regional healthcare administrators to provide our products and services as well as facilitating healthcare reform in China. Our products and services are designed to promote the implementation of a tiered healthcare system, particularly empowering PHC institutions as the first level of contact for the general public. For example, we believe our General Practice CDSS, as assistance to doctors and medical professionals, helps increase the diagnosis soundness of doctors at PHC institutions. By enabling residents to receive quality care at PHC institutions, we believe our offerings help decrease hospitalization rates at the hospital level, as well as reduce over-examination and overtreatment, both contributing to the efficient deployment of the health insurance funds. We also provide management tools for regional healthcare administrators to achieve data-driven decision-making and management. For example, local health commissions are able to gain visibility of information such as number of visiting outpatients, standardization rate of EMR and diagnosis soundness of doctors at PHC institutions. Regional medical security bureaus are able to scrutinize medical expenses disbursed by health insurance funds using our products and services.

Our Monetization

We generate revenue from both project implementation and from continual maintenance services and operations services which include AI outbound callings, patient service packages, cloud medical imaging and medical device. During the Track Record Period, we primarily generated revenue from project implementation on a project basis. We believe that a project-based revenue model constituting the primary source of our revenue is better suited than subscription or other models to our business. Our customers, particularly medical institutions such as PHC institutions and hospitals, frequently require customized solutions to address their specific operational and clinical needs, and a project-based model enables us to deliver tailored implementations. In addition, integrating our offerings with customers' existing systems, such as hospital information systems and other medical technologies, is often complex and resource intensive, and a project-based approach ensures seamless integration through comprehensive project implementation. The duration of our projects generally ranges from one to five years, during which we provide maintenance services free of charge. Upon expiration of the warranty period, we generally charge fees for maintenance and operations services.

The following table sets forth details of our products and services.

Business line	Paying customers	End users	Fees charged and pricing basis
PHC Services	Health commissions	PHC institutions	We charge: (i) project implementation fee based on (a) requirements of products of services such as number of functional modules and (b) project scale based on factors including the number of regions covered, the number of PHC institutions covered, the number of doctors at such PHC institutions and the length of service period; (ii) maintenance and service fee based on customer requirements and service period. We generally offer free maintenance over the warranty period and start to charge maintenance and service fee upon the expiry date of such period; and (iii) for our Chronic Disease Management Tools, service fee for outbound calling services, which are mainly priced based on the number of PHC institutions using the service, the call volume or text volume as well as cost of telecommunication services per call or per text.
Hospital Services	Hospitals	Hospitals	We charge: (i) project implementation fee for the deployment of our services based on customers' requirement of products and services and relevant specifications, scale of projects and length of warranty period; and (ii) maintenance and service fee based on customer requirements and service period. We generally offer free maintenance over the warranty period and start to charge maintenance and service fee upon the expiry date of such period.

Business line	Paying customers	End users	Fees charged and pricing basis
Patient Services	Patients and/or residents are the end payors for use of our Patient Services. For Post-Discharge Management Platform and Cloud Medical Imaging Platform, which need to be provided through relevant platforms, hospitals or medical institutions also pay us project implementation fees for deployment of the infrastructure. We did not charge hospitals or medical institutions maintenance fees during the Track Record Period.[1] For Post-Discharge Management Platform, patients and/or residents can (i) first pay the hospitals, and the hospitals pay us the relevant service fees or (ii) directly purchase patient service packages for specialty diseases on our platform.	Patients and/or residents	For Post-Discharge Management Platform, we charge; (i) project implementation fees for the initial installment of our platform; and (ii) fees for patient service packages based on the scope of services and service period.

Note:

(1) We did not charge maintenance fees to hospitals or medical institutions during the Track Record Period primarily as (i) some of the products we have delivered are still under the warranty period as of June 30, 2024, after which we will enter into separate maintenance agreements with hospitals and medical institutions should they need the maintenance services and such hospitals and medical institutions would pay for the post-warranty maintenance services; and (ii) certain products bear minimal maintenance costs, which are built into our service pricing strategy, and thus no additional maintenance fees are being charged.

Business line	Paying customers	End users	Fees charged and pricing basis
	For Cloud Medical Imaging Platform, patients and/or residents first pay hospitals, and hospitals pay us the relevant service fees for storage of imaging results as well as usage of our platform for remote consultation.		For Cloud Medical Imaging Platform, we charge: (i) service fee for remote consultation services; and (ii) service fee for digital imaging services.
	For Medical Device, patients and/or residents primarily purchase from us from our online stores		For Medical Device, we charge retail sales price depending on different versions.
Regional Healthcare Solutions	For Regional Healthcare Administrator Services: local health commissions	For Regional Healthcare Administrator Services: local health commissions	For Regional Healthcare Administrator Services, we charge implementation fee for the deployment of our services mainly based on customers' requirement of specification, scale of project, length of warranty period.
	For Medical Insurance Administrative Solutions: medical security bureaus or hospitals	For Medical Insurance Administrative Solutions: medical security bureaus or hospitals	For Medical Insurance Administrative Solutions, we adopt the following fee charging and pricing models: (i) for medical security bureau customers, we charge project implementation fee based on service modules and the number of medical institutions to be covered by such solutions; and (ii) for hospital customers, we charge service fees.

According to Frost & Sullivan, the pricing basis of our products and services is in line with the industry average. Specifically, the pricing of our flagship product, the General Practice CDSS, is in line with the industry average.

The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as a percentage of revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of revenue)									
							(unaudited)			
PHC Services	**215,567**	**57.9**	**298,061**	**63.2**	**239,754**	**43.1**	**87,045**	**44.7**	**55,042**	**24.0**
General Practice CDSS	189,868	51.0	217,371	46.1	160,741	28.9	43,240	22.2	31,802	13.9
Chronic Disease Management Tools	25,699	6.9	80,690	17.1	79,013	14.2	43,805	22.5	23,240	10.1
Hospital Services	**82,347**	**22.1**	**43,486**	**9.2**	**64,912**	**11.7**	**22,550**	**11.6**	**58,727**	**25.6**
Patient Services	**32,284**	**8.7**	**36,894**	**7.8**	**134,821**	**24.2**	**39,856**	**20.5**	**94,714**	**41.3**
Post-Discharge Management Tools	20,909	5.6	18,285	3.9	43,182	7.8	9,802	5.0	20,619	9.0
Cloud Medical Imaging Platform	5,177	1.4	12,296	2.6	39,388	7.0	12,685	6.5	46,405	20.2
Medical Device	6,198	1.7	6,313	1.3	52,251	9.4	17,369	8.9	27,690	12.1
Regional Healthcare Solutions	**42,254**	**11.3**	**93,419**	**19.8**	**116,638**	**21.0**	**45,080**	**23.2**	**20,722**	**9.0**
Regional Healthcare Administrator Services	36,603	9.8	83,010	17.6	84,472	15.2	34,027	17.5	18,667	8.1
Medical Insurance Administrative Solutions	5,651	1.5	10,409	2.2	32,166	5.8	11,053	5.7	2,055	0.9
Total	**372,452**	**100.0**	**471,860**	**100.0**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

During the Track Record Period, we derived a large portion of revenue from PHC Services, which amounted to RMB215.6 million in 2021, RMB298.1 million in 2022, RMB239.8 million in 2023, RMB87.0 million in the six months ended June 30, 2023 and RMB55.0 million in the six months ended June 30, 2024, accounting for 57.9%, 63.2%, 43.1%, 44.7% and 24.0% of our total revenue in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The decrease in the revenue from PHC Services in 2023 and the six months ended June 30, 2024 was primarily a result of the decrease in revenue generated from General Practice CDSS and Chronic Disease Management Tools. Such decrease was primarily due to commercial considerations in response to recent government policies aimed at enhancing the management of medical insurance funds. While these policies do not prohibit bulk purchases, they prompted the government entities to adopt a more stringent procurement process for high-value contracts and resulted in a deceleration in the procurement and contract finalization process since the end of 2022 to early 2024. See "Financial Information — Year

Ended December 31, 2023 Compared to Year Ended December 31, 2022 — Revenue" and "Financial Information — Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023 — Revenue" for details.

Partially in response to this trend and as we planned to reduce the risk associated with reliance on a limited number of large municipal level customers, we have refined our sales strategy with a more granular approach in addition to the existing centralized bulk sales to municipal healthcare administrators who determine the deployment of our products and services at county, district and community levels. We started to sell directly to an increased number of county, district and community-level healthcare administrators with smaller contracts since the end of 2022. The number of our customers at the county, district and community levels to whom we offered our PHC Services increased from 160 in 2022 to 337 in 2023, and from 135 in the six months ended June 30, 2023 to 197 in the six months ended June 30, 2024. Correspondingly, the average contract size of these contracts decreased from RMB1.8 million in 2022 to RMB0.6 million in 2023, and decreased from RMB0.8 million in the six months ended June 30, 2023 to RMB0.4 million in the six months ended June 30, 2024; the number of contracts for both project implementation and continual provision of products and services increased from 196 in 2022 to 380 in 2023, and from 186 in the six months ended June 30, 2023 to 209 in the six months ended June 30, 2024. See "— Business Sustainability — Solid and Growing Market Presence to Support Future Development — Expanding Customer Base and Project Implementation" for details.

The following table sets forth a breakdown of the number of customers with whom we signed contracts to implement projects and the number of projects involved in these contracts by business line for the periods indicated. Each customer purchasing from multiple business lines is counted only once under the business line which the largest part of the respective contract sum is attributed to, and there are no overlapping customers across business lines. Each project involving multiple business lines is counted only once under the business line which the largest part of the respective contract sum is attributed to, and there are no overlapping projects across business lines.

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Number of		Number of		Number of		Number of		Number of	
	Customers	Projects	Customers	Projects	Customers	Projects	Customers	Projects	Customers	Projects
PHC Services	75	86	70	86	94	104	32	38	66	68
Hospital Services	40	53	58	71	84	99	40	43	35	36
Patient Services	9	11	35	37	52	63	17	17	20	23
Regional Healthcare Solutions	4	4	9	10	16	19	6	8	16	18
Total	**128**	**154**	**172**	**204**	**246**	**285**	**95**	**106**	**137**	**145**

Our products and services, including PHC Services, Hospital Services, Patient Services and Regional Healthcare Solutions, are intended to enhance the medical capabilities and work efficiency of medical professionals and medical institutions. These products and services do not directly diagnose patients; instead, the final diagnosis and treatment advice are provided by professional qualified doctors and medical professionals. According to our PRC counsel, doctors or medical professionals are liable for any harm to patients resulting from their fault during the diagnostic and treatment process. We are liable only if there is a defect in our product and service and a demonstrable causal link between the defect and the negative outcome. In the context of medical liabilities, there are no currently effective laws or regulations of the PRC which specifically define and regulate "defect" in software products and services such as those provided by us. The term "defect" in products and services is generally defined in the Product Quality Law of the PRC as a lack of safety that is unreasonable and endangers personal and property safety, which includes design defects, manufacturing defects and instruction defects. A product is also considered defective if it does not comply with national or industry standards.

We have taken a number of measures to reduce the risk of medical liabilities, including (i) providing disclaimers and terms for our products and services, which clarify that the results generated by our products and services are meant for reference and cannot replace diagnosis by licensed medical practitioners; (ii) conducting clinical trials for our Patent Services products involving medical devices and obtaining relevant medical device registration certificates; (iii) providing training to medical institutions and personnel on our products and services; (iv) creating detailed product instructions that guide the usage of our products; (v) issuing warnings about potential risks of improper use; and (vi) performing regular maintenance on our products to ensure compliance with relevant regulatory requirements on product quality. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any claims relating to medical liabilities, nor had we encountered any significant product defects or been penalized for violating product quality laws and regulations.

OUR PHC SERVICES

Our PHC Services include (i) General Practice CDSS and (ii) Chronic Disease Management Tools, helping doctors and medical professionals at PHC institutions enhance clinical skills and improve work efficiency with more precise patient management. With General Practice CDSS, doctors and medical professionals receive AI-supported suggestions for diagnosis and treatment that are ancillary to their own diagnosis and treatment. Our Chronic Disease Management Tools assist doctors and medical professionals in efficiently providing support for patients with chronic diseases or those at high risk of chronic diseases. During the Track Record Period, we recorded RMB215.6 million, RMB298.1 million, RMB239.8 million, RMB87.0 million and RMB55.0 million in revenue from the provision of PHC Services, respectively, representing 57.9%, 63.2%, 43.1%, 44.7% and 24.0% of our total revenue, respectively.

We primarily enter into agreements with local health commissions to provide PHC Services to them and PHC institutions overseen by them. We provide support via both remote support and on-site assistance. We also offer ongoing services, including software updates and medical knowledge graph updates, after project implementation. In addition, we provide training for staff at local health commissions and doctors and other medical professionals at PHC institutions. See "— Customer Services."

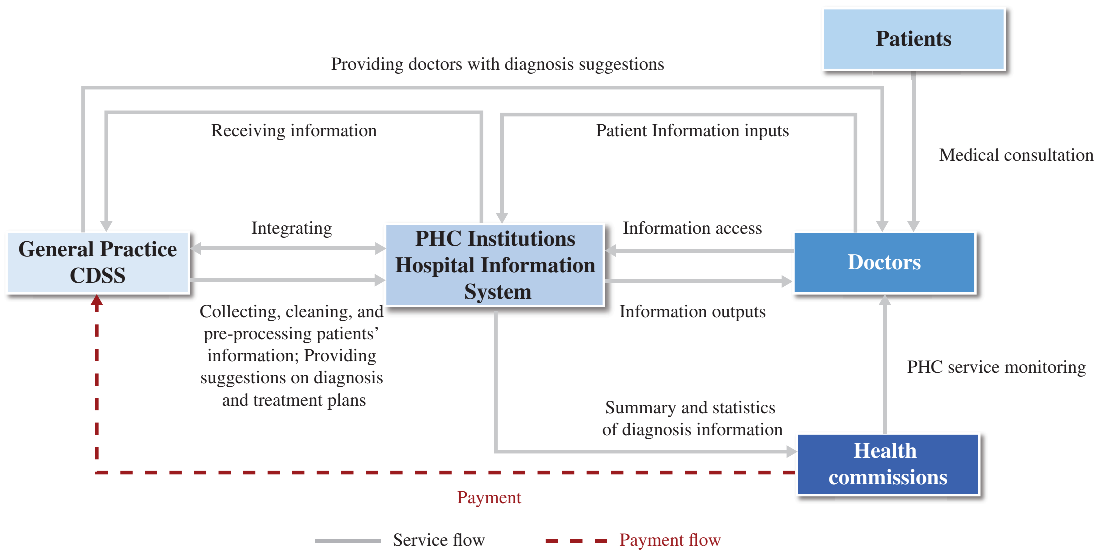
General Practice CDSS

Our General Practice CDSS has achieved large-scale commercialization across a broad range of regions and hospitals in China, ranking first in terms of revenue with a market share of 61.5% in China's PHC institution CDSS market in 2023, according to Frost & Sullivan.

Our General Practice CDSS can be seamlessly integrated into mainstream hospital information systems without altering doctors' normal workflow. It first ensures that complete and systematized data are provided for AI processing. Doctors receive reminders if their inputs for EMRs are incomplete or non-confirmative with missing items, omissions or logical errors. Once EMRs are uploaded, doctors can view the suggested diagnoses for their reference. The latest clinical guidance is also provided to explain how the AI-suggested diagnoses are derived. Doctors can further check proposed follow-up questions, relevant test and examination recommendations and medication prescription recommendations when formulating the final diagnosis and treatment plan. When a doctor's final diagnosis clearly deviates from the suggested diagnosis, our general practice CDSS provides an alert notification. Our product and services also provide visualized data for local health commissions to monitor the service provided by PHC institutions.

Our General Practice CDSS products combine our NLP model and self-developed medical knowledge graphs to provide diagnosis suggestions, test and examination suggestions as well as medication examinations ancillary to healthcare services. Our NLP model allows semi-automatic monitoring, management and labeling of information by emulating human cognitive processes. Our medical knowledge graphs help our AI technology to comprehend and utilize data in a more contextually relevant and significant way akin to human understanding and application of knowledge. Our General Practice CDSS was the first machine in the world to pass the NMLE (General Written test), according to Frost & Sullivan.

The following diagram shows the business workflow of our General Practice CDSS:



The below illustration shows the details of our General Practice CDSS:

Providing access to monitor and manage EMR quality

As of the Latest Practicable Date, our General Practice CDSS covered more than 1,880 diseases, including the 129 common diseases that doctors at PHC institutions are required to master according to Township Health Center Service Capability Standard (2022) (鄉鎮衛生院服務能力標準(2022版)), Community Health Center Service Capability Standard (2022) (社區衛生服務中心服務能力標準(2022版)) and Village Health Center Service Capability Standard (2022) (村衛生室服務能力標準(2022版)). As of the Latest Practicable Date, our General Practice CDSS covered more than 610 districts and counties in more than 30 provinces across China, assisted doctors in PHC institutions with more than 340 million EMRs standardization suggestions, more than 877 million AI-assisted diagnosis and treatment suggestions and more than 1.5 million diagnosis rectifications.

The functions of our General Practice CDSS are set forth below:

- ***Intelligent Consultation.*** Our product aids doctors in conducting systemic medical consultations to avoid missing key information for diagnoses. After the consultation, our AI-empowered product helps generate standardized EMRs, thereby enhancing the accuracy and efficiency for doctors in EMR preparation. It also has functions including symptom checker, systematic consultation, medical history collection and medical consultation template generation.

- ***EMR quality control.*** Our product supports real-time quality control in terms of the completeness, compliance and reasonableness of EMRs. Doctors receive reminders if their inputs for EMRs are incomplete or non-confirmative with missing items or logical errors.

- ***Assistance in diagnosis.*** Our product provides doctors with diagnosis suggestions for their reference. When doctors' final decisions clearly deviate from the suggested diagnosis, our product also sends alert notifications.

- ***Assistance in treatment.*** Based on patients' health conditions and medical diagnoses, our product provides doctors with suggestions on examinations, treatment plans, prescriptions, clinical pathways and mini-lectures on healthcare knowledge, among others, based on clinically accepted guidelines. It also shows EMRs with similar diagnosis to doctors for their reference.

- ***AI prescription appropriateness review.*** Our product examines drug prescription appropriateness in the context of patients' clinical conditions. It sends alert notifications for potentially inappropriate medications or high-alert medications.

- ***Medical knowledge search engine.*** Our product is embedded with a medical knowledge search engine, which provides know-how on diseases, examinations, medications and clinical procedures. Doctors can use this engine to increase their clinical skills.

- ***Traditional Chinese Medicine CDSS.*** Our product is also applicable in traditional Chinese medicine with AI-empowered suggestions for traditional Chinese medicine diagnosis, treatment plan, medication, acupuncture and dietary therapy.

- ***PHC institution service monitoring and management.*** PHC institution management uses our product for EMR quality monitoring and analysis of doctors' behaviors, which provides data for healthcare administrators to manage and regulate PHC institutions.

Our General Practice CDSS can be packaged in the hospital information system as a plug-in solution. Doctors can use relevant products and services without altering normal workflow.

We have further upgraded our General Practice CDSS by incorporating the below healthcare service-related functionalities to offer integrated solutions for PHC institutions:

- ***PHC healthcare service system.*** Our PHC healthcare service system offers a medical workstation for inpatient services, outpatient services and nursing services, which allow real-time documentation at the point of care. It is also capable of managing surgeries, MDTs and inpatient EMRs.

- ***Public health workstation.*** Applicable for both desktop devices and mobile devices, doctors can use our product for all 12 types of public health services stipulated by the National Essential Public Health Services Guidelines (國家基本公共衛生服務規範), including health data archiving, chronic disease management, health education, traditional Chinese medicine health management and healthcare services monitoring and management.

- ***Family doctor engagement.*** Residents can engage family doctors and renew or terminate their services using our product. Family doctors can also provide services via our system to residents.

- ***Operational management services.*** PHC institutions can use our products to manage consultation appointments, patient admission and discharge, fees and charges, pharmacy inventory management and medical insurance payment.

- ***The cockpit.*** PHC institution management analyzes data in relation to medical resources, healthcare service quality, public health services and financial performance using our product.

- ***PHC service monitoring.*** Our product assists regional healthcare administrators, namely health commissions, in evidence-based management. It supports data analysis for medical resources, healthcare services and public services.

We also offer after-sales services in support of the development of an all-inclusive healthcare system, such as training for medical professionals at PHC institutions and village health stations on the use of our General Practice CDSS.

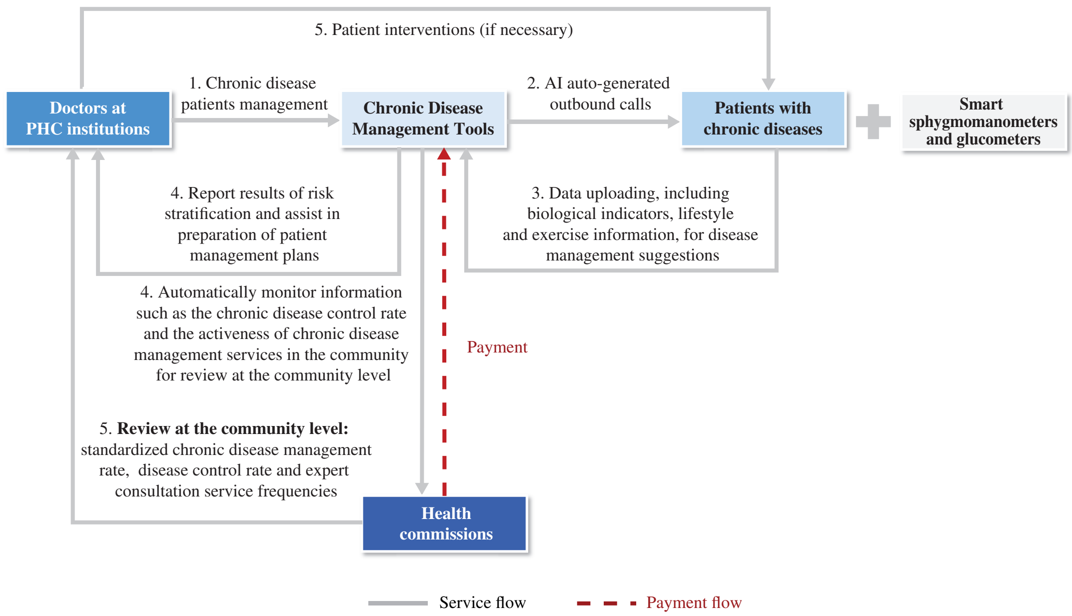
Designed to fit seamlessly into existing hospital information systems without disrupting clinician workflows, the CDSS ensures that data integrity is maintained while providing critical alerts on discrepancies in EMRs and deviations from AI-generated diagnostic suggestions. Our General Practice CDSS has played a pivotal role in the standardization of the diagnostic and therapeutic process and reducing diagnostic errors. Our General Practice CDSS is committed to standardizing the diagnostic and therapeutic process and reducing diagnostic errors, and we are continuously optimizing our General Practice CDSS. The number of diseases that it can assist in diagnosis increased from approximately 1,100 in 2021 to more than 1,800 as of June 30, 2024.

Chronic Disease Management Tools

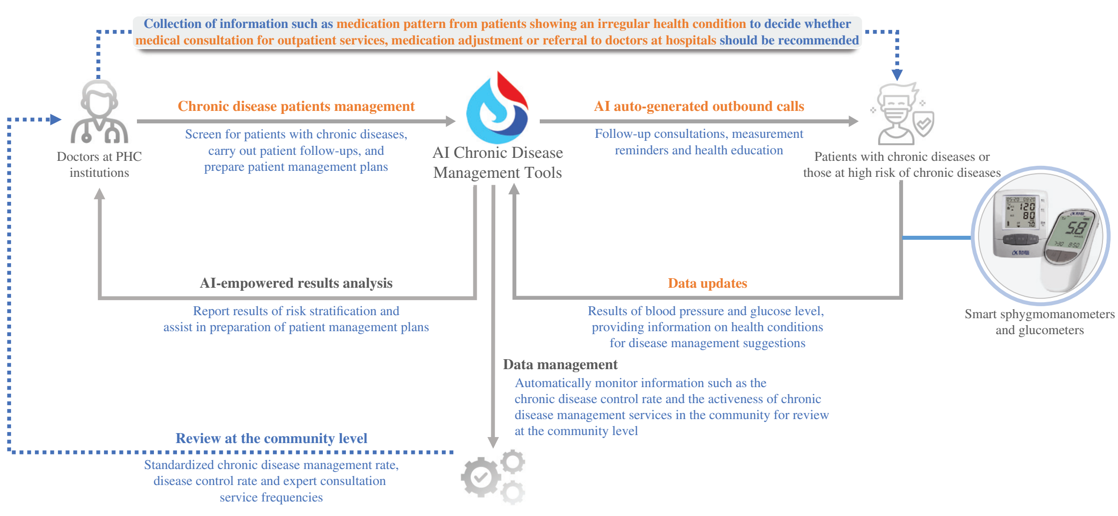
Our suite of Chronic Disease Management Tools is designed to provide support for patients with chronic diseases, such as hypertension and diabetes or those at high risk of chronic diseases. Doctors or medical professionals at PHC institutions first identify these patients based on EMRs and recommend Chronic Disease Management Tools as the solutions package, including devices such as smart sphygmomanometers and glucometers for daily measurement at home. In addition, patients can also manually upload data collected from their own devices. Patients and doctors at PHC institutions can view the measurement results and fluctuation trend. For patients showing an irregular health condition, doctors can receive the alert in a timely manner, and collect information, such as their medication pattern, the automatically updated patient profiles and the dynamically adjusted chronic disease management pathways. Based on such information, doctors can decide whether medical interventions should be introduced. For patients who have not uploaded their status for a certain period, doctors can use our alert and reminder outbound calling system which can send automatic reminders through multiple channels, such as outbound calls, text messages and WeChat mini-program. Our tools also help to automate health commissions' and PHC institutions' day-to-day work related to chronic disease management, including resident health condition surveys, medication and physical examination reminders and healthcare knowledge mini-lectures.

Our Chronic Disease Management Tools help doctors and medical professionals at PHC institutions achieve an HCI model of chronic disease management by providing risk stratification, patient profiling and management plan formulation based on patient information from multiple sources including EMRs, measurement results and self-reports. Its family doctor follow-up system hinges upon our advanced AI technologies including speech recognition, multi-round and multi-modal interaction.

The following diagram shows the business workflow of our Chronic Disease Management Tools:



The below illustration shows the details of our Chronic Disease Management Tools:



Our Chronic Disease Management Tools include two systems: the family doctor follow-up system and the chronic disease integrated management system.

The functions of our family doctor follow-up system are set forth below:

- ***AI outbound calling.*** Leveraging our speech recognition and AI technology, our AI outbound calling assists in follow-up with chronic disease patients via AI-automated calls. Our outbound calling system aids in PHC Services through follow-up consultations, health education, promotion of health awareness and accessibility of PHC Services. Users, such as staff at PHC institutions, can generate calls to selected groups of residents with our system.

- ***Outbound calling statistical analysis.*** This feature assists doctors in collecting and analyzing outbound calling data, including the volume of calls and texts, as well as connection rate.

- ***Script generation.*** This feature helps generate scripts for outbound calling by selecting the appropriate words, phrases and questions to guide the conversation. It can also establish call flows, a series of prompts for different scenarios, including introduction, information collection, information provision and concluding remarks. Our proprietary NLP model for outbound call script generation helps design appropriate conversations based on interaction with each patient, enabling timely and efficient responses to inquiries in chronic disease management and aftercare.

The functions of our chronic disease integrated management system are set forth below:

- ***PHC doctor service.*** Doctors at PHC institutions can use our product to screen for patients with chronic diseases and carry out patient follow-ups, coupled with preparing dietary and wellness plans for patients with the help of AI.

- ***Hospital doctor service.*** This feature supports the collaboration between doctors at PHC institutions and doctors at hospitals in chronic disease management via mechanisms such as two-way referral.

- ***Patient service.*** Patients can utilize our product for chronic disease management, including uploading health conditions and searching for disease management suggestions.

- ***Chronic disease management statistical analysis.*** Health commissions can actively monitor information such as the chronic disease control rate, the activeness of chronic disease management services in the community, and expert consultation service frequencies.

Case Study

In 2022, we deployed our Chronic Disease Management Tools in Gansu Province targeting hypertension, diabetes, chronic obstructive pulmonary disease and stroke. Doctors at PHC institutions identify and track patients with chronic diseases or those at high risk of chronic diseases based on EMRs. Such patients are assigned medical devices provided by us such as sphygmomanometers and glucometers for daily measurement at home. The measurement results are automatically uploaded for doctors' review and management. Based on updated test results, our Chronic Disease Management Tools can conduct risk stratification and identify patients showing an irregular health condition and patients who have not uploaded their status for a certain period of time. For patients showing an irregular health condition, family doctors can use outbound calls to collect relevant information, such as their medication pattern, and decide whether medical consultation should be recommended. For patients who have not uploaded their status for a certain period, family doctors can use our outbound calls to send reminders.

In 2022, our Chronic Disease Management Tools had covered approximately 19,000 PHC institutions in more than 80 counties and districts in Gansu Province, serving more than 3.2 million elderly people. Equipped with advanced AI, speech recognition, big data and cloud computing technologies, our Chronic Disease Management Tools significantly increased the local healthcare institutions' management efficiency and results relating to common chronic conditions among the elderly. Our offerings helped the standardization of chronic disease management amongst PHC institutions in Gansu Province. With the implementation of our Chronic Disease Management Tools in Gansu Province, the disease control rate for hypertension increased from 51% before such implementation to 71% and the disease control rate for diabetes increased from 52% before such implementation to 68%. Upon deployment of our Chronic Disease Management Tools, the resident satisfaction rate, particularly that for chronic disease patients, for PHC in Gansu Province has increased progressively.

OUR HOSPITAL SERVICES

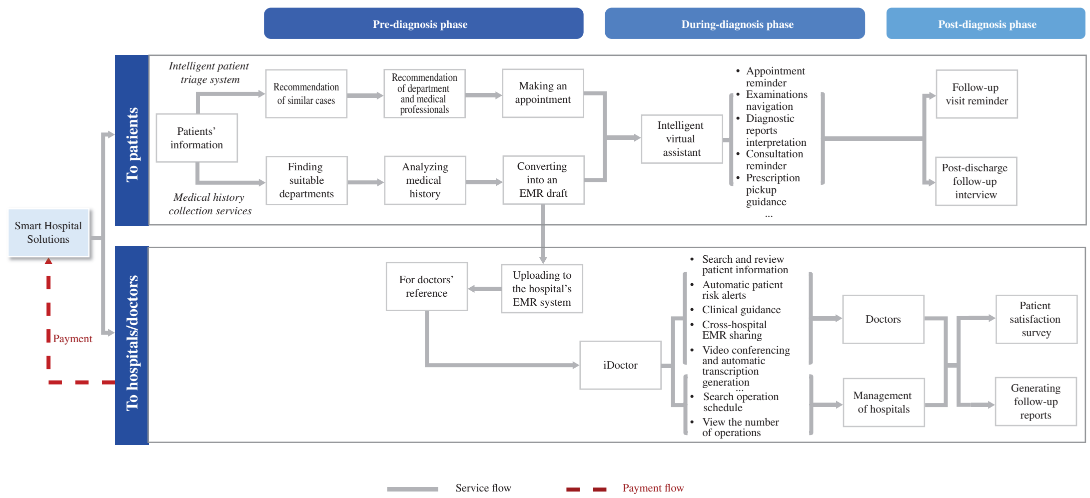
Our Hospital Services business line encompasses Smart Hospital Solutions and Intelligent Assistant. Our Smart Hospital Solutions provide integrated solutions connecting hospitals, doctors and patients across the pre-during-post diagnosis phases. Our Intelligent Assistant, primarily including General Practice and Specialized CDSS tools (intelligent VTE prevention and management system) and AI EMR Quality Control, helps hospitals and doctors address demand for general and specialized disease diagnosis, treatment and management.

As of June 30, 2024, we have offered our Hospital Services to more than 40 hospitals among the Top 100 public hospitals in the PRC, including all top five public hospitals in the PRC, Peking Union Medical College Hospital (Dental Clinic) (北京協和醫院(口腔門診)), West China Hospital of Sichuan University (四川大學華西醫院), Chinese People's Liberation Army General Hospital (Outpatient & Department of Radiology) (中國人民解放軍總醫院(門診&放射科)), Zhongshan Hospital Affiliated to Fudan University (復旦大學附屬中山醫院) and Ruijin Hospital Affiliated to Shanghai Jiaotong University School of Medicine (上海交通大學醫學院附屬瑞金醫院).

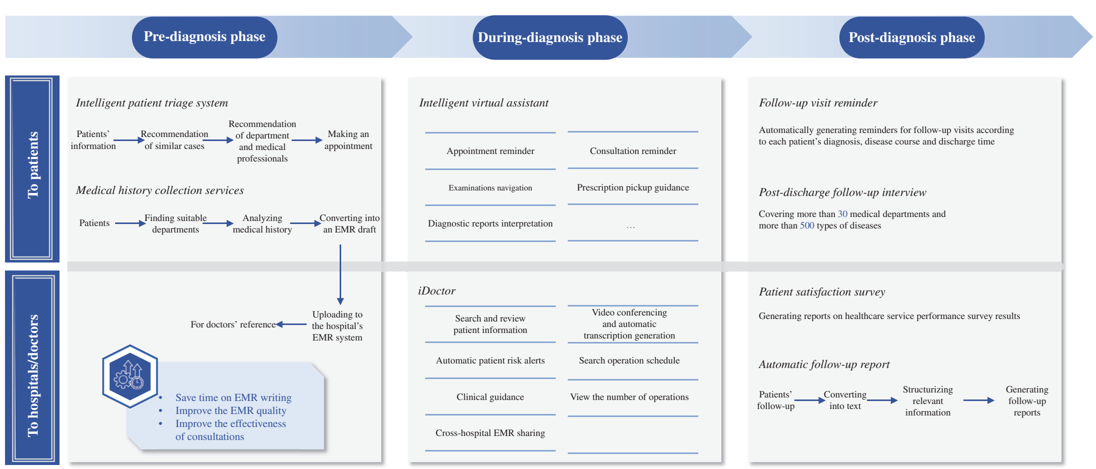
Smart Hospital Solutions

We have developed an array of diverse Smart Hospital Solutions.

The following diagram shows the business workflow of our Smart Hospital Solutions:



The below illustration shows the details of our Smart Hospital Solutions:



Pre-diagnosis phase

At the pre-diagnosis phase, we offer the intelligent patient triage system and medical history collection services to patients.

Intelligent patient triage system. Equipped with technologies including speech recognition and medical reasoning, our patient triage system helps patients identify the appropriate department and medical professionals. It also has features including hospital department search, doctor appointment, self-assessment and healthcare knowledge education.

The following graphs show the interface of our intelligent patient triage system.

Medical history collection services. With our medical history collection services, patients can report their medical history on their phones prior to face-to-face consultations. We have collaborated with our national hospital R&D partners to compile pre-treatment consultation know-how and generate questions for collecting medical history under different medical departments. Such services are conducted in a human-like way based on our multi-round medical dialogue generation and multi-modal interaction technologies. Our medical history collection services are constantly expanding and evolving with pre-treatment know-how from different hospitals. The information collected prior to the consultation is also converted into an EMR draft and uploaded to the hospital's EMR system for the future retrieval of a patient's medical history and thereby providing reassurance to the patient.

During-diagnosis phase

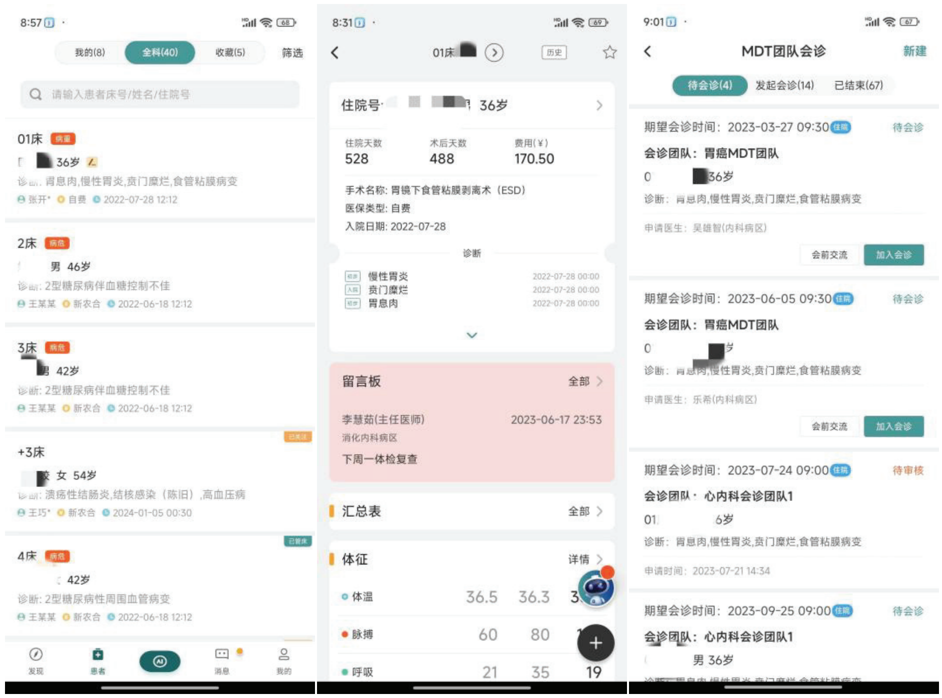
At the during-diagnosis phase, we offer intelligent virtual assistant, iDoctor and Fast Record.

Intelligent virtual assistant. Intelligent virtual assistant helps patients manage the entire treatment process, from making appointments, navigating the hospital, waiting, consulting, receiving health education, examinations, filling prescription, to post-visit satisfaction surveys, all through their phones. These services can be enhanced by our AI-generated consultation guidance. This ensures a seamless and accompanied experience for patients, simplifying the treatment process and enhancing doctors' efficiency.

The following graphs show the interface of our intelligent virtual assistant.

iDoctor. iDoctor is a doctor-facing mobile workstation particularly empowered by our medical speech recognition capabilities. It includes (i) mobile patient management tools, with which doctors can search and review patient information, generate EMR draft and daily round records and review examination results. Doctors also receive alerts for patients with critical conditions; (ii) productivity tools, with the provision of an operation schedule and clinical guidance; (iii) MDT management modules with hospitals and doctors in the same medical consortium with built-in functions such as cross-hospital EMR sharing, video conferencing and automatic transcription generation; and (iv) a general hospital management tool with which hospital management can review information such as the number of visiting patients, the number of operations and result of performance.

The following graphs show the interface of our iDoctor.



Interactive Speech-Based Assistant, Fast Record. Using advanced medical speech recognition and medical image recognition technologies, we offer a microphone, "Fast Record", which supports speech-to-text EMR generation to help doctors improve their work efficiency.

Post-diagnosis phase

At the post-diagnosis phase, we have devised an array of AI-empowered tools to address the pain points doctors and medical professionals commonly face when conducting patient follow-ups, leveraging our technology capabilities in intelligent text-to-speech, speech recognition and NLU. With underlying capabilities in HCI, outbound calls and automatic data analysis, our array of tools can be used for patient follow-up interviews, R&D follow-up interviews, critical value reminders and healthcare service performance survey. We believe our offerings help hospitals increase work efficiencies significantly.

Follow-up visit reminder. Our offering automatically generates reminders for follow-up visits according to each patient's diagnosis, disease course and discharge time.

Post-discharge follow-up interview. Doctors can use our outbound calling system to conduct automatic and regular patient follow-up interviews in more than 30 medical departments, covering more than 500 types of diseases. These interviews can be adjusted in accordance with diagnosis, disease course and hospital discharge time for each patient.

Patient satisfaction survey. Hospitals can conduct healthcare service performance surveys and collect feedback on service quality on a large scale. Our tools can also directly generate reports on survey results, providing insights of patients' feedback at different stages during healthcare services and helping hospitals optimize services.

Automatic follow-up report. After the follow-up process, our tools convert information collected from patients' answers into text and structurize relevant information to generate follow-up reports, significantly saving labor cost required for traditional material compilation.

Our Intelligent Hospital Assistant

Our Intelligent Hospital Assistant primarily offers General Practice and Specialized CDSS Tools and AI EMR Quality Control.

General Practice and Specialized CDSS Tools

Our General Practice and Specialized CDSS Tools include the following modules:

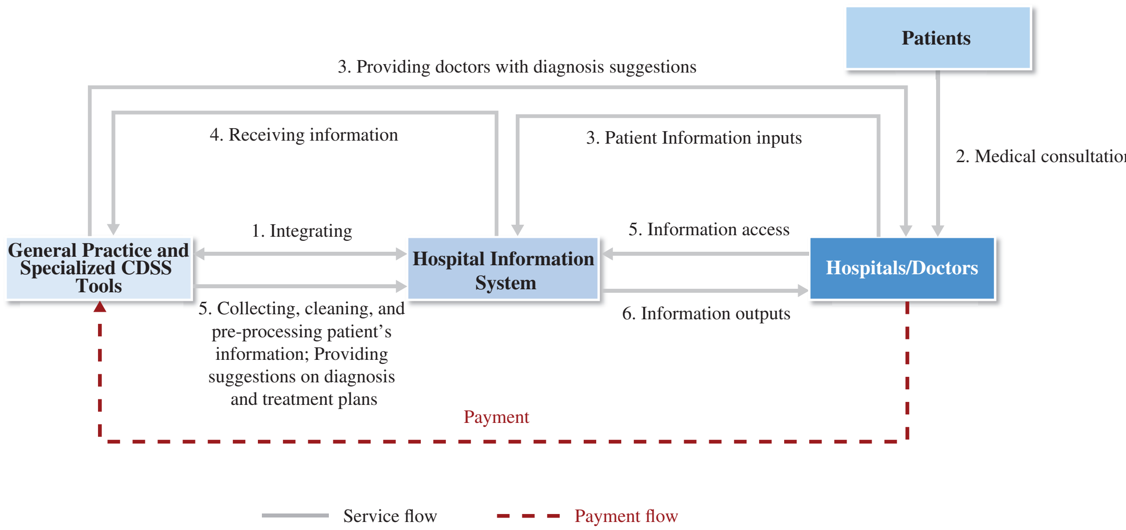
- **General Practice CDSS.** Our General Practice CDSS module packed in General Practice and Specialized CDSS tools functions similarly to our General Practice CDSS offered under our PHC Services business line.

- **Specialized CDSS.**

  VTE Intelligent Prevention and Control Management System (VTE system). Our VTE system has the following functions: dynamic assessment automatic reminder, VTE risk assessment, bleeding risk assessment, intelligent prevention measures recommendation, and contraindication reminder and review of prevention measures. By seamlessly integrating with the hospital's business system, our VTE system can help our customers monitor a patient's basic information and unstructured clinical data such as coagulation conditions of a disease and surgery in real-time. Based on the NLP and VTE disease knowledge base, our VTE system can establish an intelligent assessment model for VTE risk. Such model can significantly reduce the time medical staff spend on assessments, enabling them to promptly and effectively intervene in the early stages of VTE, which contributes to a reduction in both the incidence and mortality rate of VTE within the hospital, thereby enhancing patient safety. As of the Latest Practicable Date, our VTE system has achieved intelligent assessment of more than 170 assessment items related to VTE, with an AI assessment level consistency rate of over 90%.

  Single Disease Intelligent Management Platform. The system is designed to evaluate diagnostic and treatment procedures throughout the healthcare process and send notifications for activities that diverge from established clinical guidelines. This AI-supported platform assists doctors in drafting medical reports. As of the Latest Practicable Date, our Specialized CDSS covered more than 50 diseases.

The following diagram shows the business workflow of our General Practice and Specialized CDSS Tools:



AI EMR Quality Control

Based on our extensive medical knowledge graphs, semantic parsing, language standardization and advanced clinical language understanding, our AI EMR Quality Control reviews EMRs against composition standards, reviews the soundness of relevant diagnosis and treatment as well as examines the implementation of requisite regulations at hospitals.

Case Study

We have collaborated with West China Hospital of Sichuan University to support healthcare services across all major pre-visit, consultation or treatment and post-discharge examination phases:

- At the pre-visit phase, patients visiting large and comprehensive hospitals often find it hard to locate suitable medical departments and doctors due to lack of medical knowledge and unfamiliarity with medical department settings. To address such pain points, we have customized medical guidance tools, including intelligent triage services, AI self-assessment, doctors search and medical encyclopedia. Such tools allow patients to find matching medical departments based on their symptoms and conditions for more than 13,000 symptoms and more than 5,000 diseases as of June 30, 2024. As of the same date, our medical guidance tools have served a cumulative total of more than 8.0 million patients at West China Hospital of Sichuan University, helping to reduce mistakes in making appointments with doctors and improving consultation experience.

- During consultation or treatment, doctors usually spend a considerable amount of time on EMR inputs, leading to long waiting times for patients as well. To address such pain points, leveraging our technologies including speech recognition and NLU, we offer Fast Record. Doctors can use our AI medical speech-to-text technologies to compose EMRs efficiently. In particular, our Fast Record microphone supports more than 20 dialects, including Sichuan dialect. As of June 30, 2024, Fast Record was deployed and routinely used at West China Hospital of Sichuan University.

- At the post-discharge phase, it often takes doctors and medical professionals a great deal of time and effort to conduct traditional follow-up services due to the high volume of patients visiting West China Hospital of Sichuan University. To address such pain points, we offer Post-discharge Management Tools to generate AI-empowered calls for follow-up services, helping improve work efficiency and patient satisfaction. Our Post-discharge Management Tools can be used in more than 40 medical scenarios, including treatment effect evaluations through remote patient monitoring, patient satisfaction surveys, critical value alerts, medication reminders, clinic schedule updates and mini-lectures for health knowledge. As of June 30, 2024 our Post-discharge Management Tools have been deployed by more than 100 medical departments at West China Hospital of Sichuan University, accumulating more than 910,000 AI-generated calls.

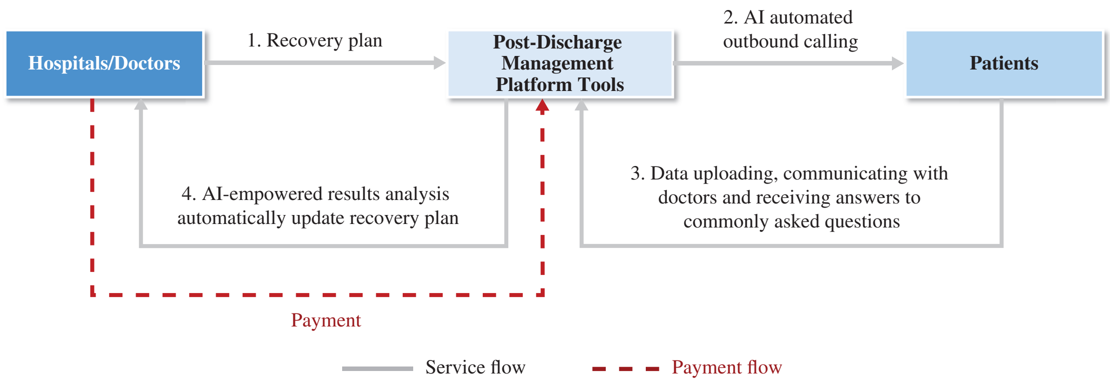
OUR PATIENT SERVICES

Our Patient Services business line includes (i) Post-Discharge Management Platform; (ii) Cloud Medical Imaging Platform; and (iii) Medical Device.

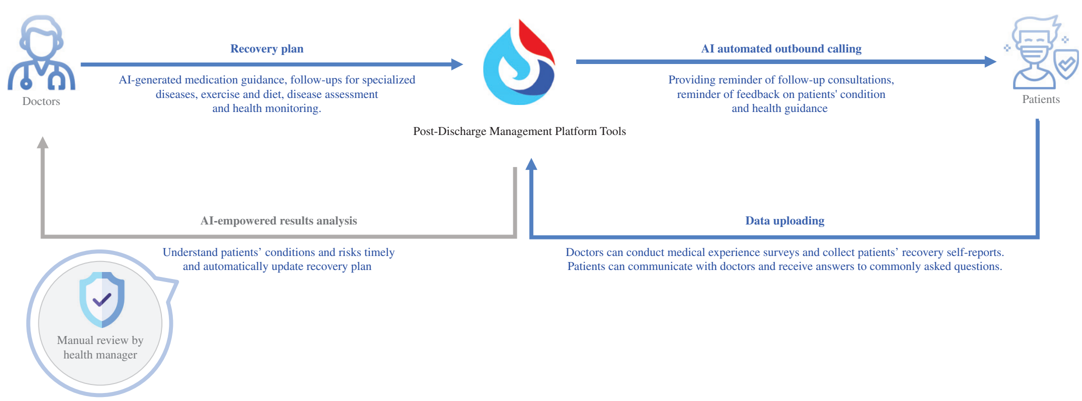
Post-Discharge Management Platform Tools

Combing AI technology and specialized medical knowledge graphs produced from collaboration with industry experts, we offer Post-discharge Management Tools, allowing patients to receive continuous professional guidance for post-discharge recovery. Our Post-Discharge Management Platform Tools support personalized health guidance, follow-up and patient risk stratification, help ensure standardized diagnosis and treatments made by doctors and medical professionals, as well as prompt follow-up consultations. Patients can register with our platform and receive continuous professional guidance for post-discharge recoverage. Doctors can also use our tools to conduct medical experience surveys, collect patients' recovery self-reports, gather and analyze data in relation to patient recovery and offer suggestions on recovery exercise and lifestyle management for patients. Patients can also make the most of our post-discharge management platform to communicate with doctors and receive answers to commonly asked questions in relation to disease recovery with our built-in AI assistant on the platform.

The following diagram shows the business workflow of our Post-Discharge Management Platform Tools:



The below illustration shows the details of our Post-Discharge Management Platform Tools:



We reach out to patients through common channels such as outbound calls, text messages and mini-programs. Our recovery plan covers aspects including medication guidance, follow-ups for specialized diseases, exercise and diet, disease assessment and health monitoring. As a result, our offerings help doctors understand patients' conditions timely. Such recovery plan can be updated based on follow-up consultations, helping patients recover more quickly.

The following graphs show the interface of our Post-Discharge Management Platform Tools.

Our HCI-enabled tools allow patients to conduct 24/7 online consultations through enquiry by chat box and obtain answers to questions on recovery. As a result, doctors can provide services across stages of care. Further enhanced by our Xunfei Spark Medical Model, our tools support dynamic updates of patient profile and recovery plan adjustments. We believe our offerings help increase patient compliance and treatment effectiveness without increasing burdens on doctors.

Cloud Medical Imaging Platform

We provide products and services to help medical institutions establish cloud-based medical imaging platforms. Medical institutions that utilize our Cloud Medical Imaging Platform can remotely retrieve medical imaging data from other medical institutions that have been granted shared access. Our one-stop solution includes the provision of both equipment and software, a medical imaging data interconnectivity system and cloud-based storage, primarily including:

Remote consultation services. We offer remote consultation services, including the remote radiology diagnosis service and remote MDT consultation service. Our remote radiology diagnosis services allow doctors or other medical staff at PHC institutions to review medical images provided by radiologists from other healthcare institutions and generate examination reports. Our remote MDT consultation service facilitates doctors to upload complex cases for MDT discussion with hospitals at the municipal level or provincial level.

According to Frost & Sullivan, our Cloud Medical Imaging Platform is the largest cloud-based medical imaging platform in Anhui Province in terms of the number of healthcare institutions covered. As of June 30, 2024, our Cloud Medical Imaging Platform has established connections with more than 1,960 healthcare institutions and more than 3,180 radiologists. Our Cloud Medical Imaging Platform ranked third in terms of number of healthcare institutions covered, as of December 31, 2022.

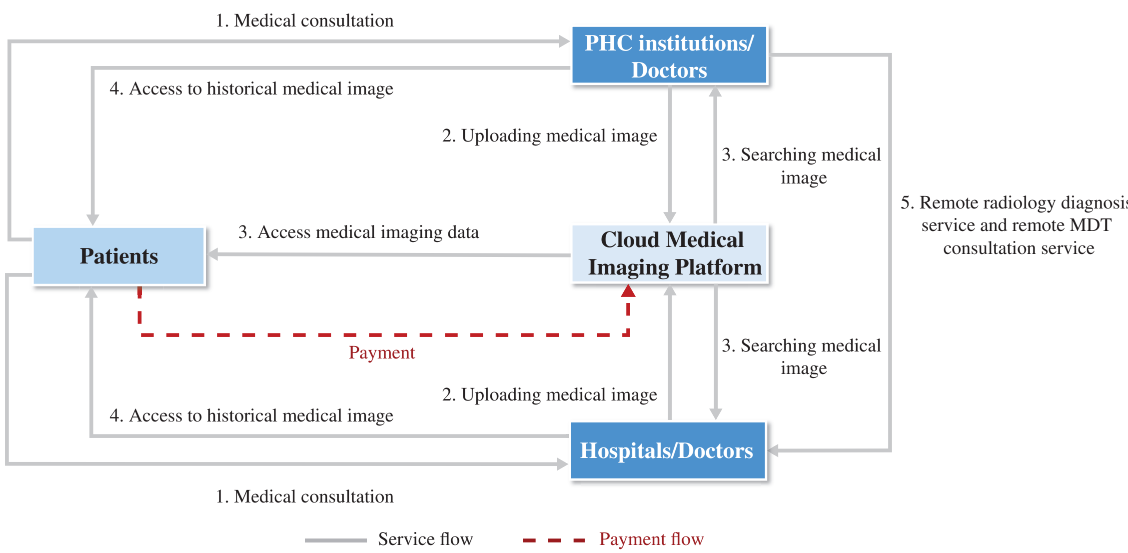
Digital imaging services. We provide digital imaging services based on technologies such as big data, image processing and medical cognitive intelligence and reasoning, facilitating medical imaging data interconnectivity across medical institutions. The use of our digital imaging services allows doctors at different medical institutions to view all of the patients' imaging examination results available on our platform, preventing doctors from conducting repetitive imaging examinations and improving the operational efficiency and quality of healthcare practices. Our digital imaging services allow patients to access, view, share and download their digital medical imaging data without restrictions of the traditional physical forms of medical imaging results using information provided by medical institutions, such as QR codes and SMS links. Utilizing the capabilities of Xunfei Spark Medical Model, our platform provides the intelligent interpretation of the imaging examination results when patients input their digital medical imaging data, allowing the patients to understand their examination results and health conditions directly and promptly. Authorized medical institutions can retrieve patients' medical imaging data from local doctor workstations. Our digital imaging services represent a comprehensive solution, integrating both software and hardware capabilities.

Cloud radiology information system/PACS. This system allows medical images to be accessed from anywhere for authorized personnel. Our radiology information system and PACS are designed to offer essential IT solutions that streamline the imaging examination and diagnostic workflows of medical institutions. In particular, doctors can use our system to remotely review medical images, as well as draft and review diagnostic reports. Our system is capable of providing diagnostic recommendations to doctors based on the analysis of stored medical images.

Equipment and infrastructure services. As part of our one-stop solution to help medical institutions build cloud-based medical imaging platforms, we also supply necessary equipment including servers and monitors. In addition, we offer infrastructure services including firewalls and application programming interface services.

AI-assisted image diagnosis. Based on image recognition and deep learning technologies, together with the diagnostic experience of medical experts and a wealth of sample data, our AI-assisted image diagnosis can automatically detect lesions from medical images. It also makes diagnostic suggestions and allows for the comparison of medical images across different phases of the patients' conditions, improving the soundness and efficiency of doctors' image diagnoses.

The below illustration shows the business workflow of our Cloud Medical Imaging Platform:



Medical Device

We have strategically expanded into the medical device market to further promote our brand reputation and reach individual customers. We mainly provide hearing aids.

The following illustrates the appearances of our hearing aids:



We have introduced Youxiang version (優享版), Yuexiang version (悅享版) and Zunxiang version (尊享版) of our hearing aids. In addition, in April 2024, we launched our new series of hearing aids, the Xing series. This new series of hearing aids features a behind-the-ear appearance. They are equipped with upgraded scene recognition system technology that supports enhanced functions, such as noise reduction and sound adjustment and processing, and are empowered by our Xunfei Spark Medical Model. In addition, the Xing series of hearing aids can be utilized as Bluetooth headsets with the subtitle function, enabling hard-of-hearing users to enjoy music and movies at a high level of sound quality as well as have enhanced user experience in daily communications. Each version offers a unique combination of features, as set forth below, to cater to the varying needs of users with different levels of hearing impairment:

- Intelligent noise cancellation. Our AI dynamic noise cancellation system dynamically adjusts the degree of sound suppression based on the signal-to-noise ratio. With noise cancellation technology, our hearing aids track users' acoustic environment in real time and balance noise cancelling channels.

- 16/32/48/64-channel sound adjustment and processing. Our hearing aids, specifically the Yuexiang version, the Zunxiang version and the basic and advanced versions of the Xing series of hearing aids (星耀版 and 星河版), are available in 16-channel, 32-channel, 48-channel and 64-channel, respectively. They utilize wide dynamic range compression technology and are designed for patients with mild to severe hearing loss, respectively. Notably, half of these channels are adjustable, while the remaining are equaliser adjustment channels. This feature allows our hearing aids to deliver enhanced accuracy in speech comprehension and hearing comfort.

- Low audio latency technology. Audio latency refers to a short period of delay, measured in milliseconds, from the moment an audio signal is introduced into a system to the point it exits. A commonly acceptable threshold for audio latency stands at ten milliseconds, notwithstanding the FDA standard which permits a latency of less than 15 milliseconds. Our hearing aids, specifically the Yuexiang and Zunxiang versions, employ non-perceptible delay technology of six milliseconds and three milliseconds, respectively. This technology is designed to rectify the sound delay induced by the comb filter effect, thereby eliminating sound distortion. This delay is significantly lower than the latency standard, set by the FDA, ensuring a superior audio experience for our customers.

- Dual-microphone directional pickup. Our hearing aids, specifically the Yuexiang and Zunxiang versions as well as the Xing series of hearing aids, utilize a dual-microphone beamforming algorithm to precisely concentrate on the speech emanating from the user's front, while eliminating ambient noise.

- Whistling reduction. With an AI feedback suppression algorithm, we have effectively reduced "whistling," a high-pitched sound which usually results from the positive feedback loops in conventional hearing aids.

- Medical grade antimicrobial material. Our hearing aids are protected by silver ion antimicrobial agents at the earplug section to boost their antimicrobial properties. They have received an award from the Guangdong Detection Center of Microbiology, which ensures a lasting and effective antimicrobial capability with an impressive antimicrobial rate of up to 99.9%.

- Self-directed hearing test. Users can use our application to complete hearing tests at home without the need to visit audiologists.

- AI scene recognition transition. Our hearing aids, specifically the Yuexiang and Zunxiang versions, are equipped with our in-house developed scene recognition system, AIScene. It is capable of real-time monitoring of the user's environment, fine-tuning noise reduction in a balanced manner and addressing the issue of environmental noise suppression. Our hearing aids are capable of automatically switching between different noise reduction modes that adapt dynamically to the majority of scenarios in daily life, offering users a seamless auditory experience.

- Assisted subtitles. We offer transcription services for our hearing aids, specifically the Yuexiang and Zunxiang versions as well as the Xing series of hearing aids, that can transcribe audio into text displayed on the user's mobile application. It provides an additional assurance for user communication.

- Volume amplification. Our Xing series of hearing aids are equipped with a maximum volume gain of 65dB to assist users with severe to profound hearing loss by amplifying sounds to a level that is audible and clear for them.

We work with manufacturing suppliers in the production of our hearing aids. During the Track Record Period, we mainly provided our hearing aids to individual customers via e-commerce platforms, namely JD.com and Tmall. We have also strategically begun to provide hearing aids offline. We have engaged an e-commerce platform service provider for operation and maintenance of our online channels. The e-commerce platform service provider was established in 2019 with a registered capital of RMB10.0 million and focuses on providing operational services on e-commerce platforms for computer, communication and consumer electronics products. The relevant service fee is recorded as sales expenses. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the relevant service fee was nil, RMB2.0 million, RMB9.5 million, RMB3.6 million and RMB4.4 million, respectively. Such arrangement supplements our sales capabilities and helps expand our presence in online channels.

Set forth below are the salient terms of the agreement we have entered with the service provider.

Terms. Generally one year and can be renewed.

Principal rights and obligations of parties involved. Our service provider is primarily responsible for the sales of products on online platforms. We are primarily responsible for delivering the products to end-consumers and providing customer service. We review the quantity of products sold and receive the proceeds on a monthly basis.

Service fee. The service fee for each product sold is calculated as a percentage of the difference between the suggested retail price and a pre-determined threshold. We review the quantity of products sold, receive the proceeds and settle payment for the service fee monthly.

Product returns. We are required to accept returned goods within a time period according to relevant laws and regulations, as well as the protocols of the respective online platforms.

Sales targets. We do not set sales targets.

Termination. Either party has the right to terminate the contract with the other party.

Our Xunfei Xiaoyi App and Mini Program

In October 2023, we launched a patient-oriented application, Xunfei Xiaoyi App and Mini Program, to meet the need of patients across the pre-visit, consultation or treatment and post-discharge phases. Its pre-visit enquiry function can significantly improve the efficiency of consultations. Xunfei Xiaoyi App and Mini Program also supports medication planning, significantly reducing potentially inappropriate medications. Patients can also use this application to interpret medical and health examination reports, create health reminders based on such reports and identify the correct department for subsequent follow-up visits.

OUR REGIONAL HEALTHCARE SOLUTIONS

Our Regional Healthcare Solutions include (i) Regional Healthcare Administrator Services and (ii) Medical Insurance Administrative Solutions. Our Regional Healthcare Administrator Services provide management tools for regional healthcare administrators, especially provincial and municipal health commissions. Our Medical Insurance Administrative Solutions help to ensure proper use of health insurance funds. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we have recorded RMB42.3 million, RMB93.4 million, RMB116.6 million, RMB45.1 million and RMB20.7 million in revenue from provision of Regional Healthcare Solutions, respectively, representing 11.3%, 19.8%, 21.0%, 23.2% and 9.0% of our total revenue, respectively.

Regional Healthcare Administrator Services

Our Regional Healthcare Administrator Services include (i) infectious disease EWARS solutions, (ii) our universal health information platform service, and (iii) county-level medical community solutions.

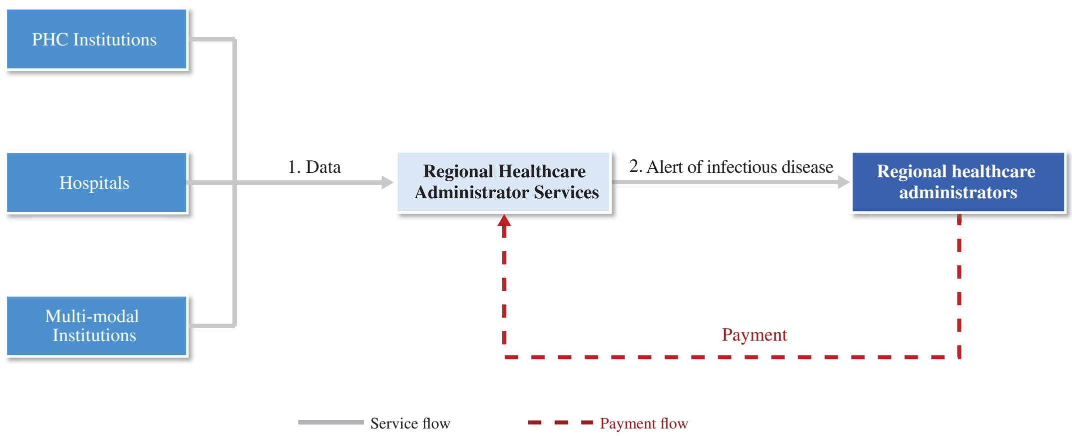
Infectious Disease EWARS

We offer an infectious disease EWARS for regional healthcare administrators, including local health commissioners, disease control agencies and their affiliated Centers for Disease Control and Prevention ("CDCs") to track, monitor and respond to potential outbreaks of infectious diseases.

Regional healthcare administrators can collect and analyze multi-modal data from diverse channels, including recorded syndromes of outpatient EMRs from PHC institutions and hospitals, medication purchase data from local pharmacies, data of reported symptoms and absence from schools and test reports from laboratories through our products. Using spatiotemporal clustering analysis, epidemic evolution prediction and deep reasoning based on medical knowledge graphs, our system functions as a prompt, simple and accessible tool. It is able to rapidly recognize an infectious disease outbreak, based on its risk assessment with high sensitivity and precision, to support emergency response and public health investigations. The medical knowledge graphs are at the core of our infectious disease EWARS, providing the analytical foundation for epidemic evolution predictions and deep reasoning capabilities. Leveraging medical knowledge encoded within these medical knowledge graphs, the system can perform complicated analyses and predict infectious disease trajectories. Regional healthcare administrators can effectively and efficiently integrate and allocate resources in response to potential outbreaks of infectious diseases of concern.

We also offer outbound calls to help regional healthcare administrators screen susceptible, exposed and close contacts of individuals infected. In the event of infectious disease outbreaks, regional healthcare administrators can also use such outbound calls to send notifications and offer health advice. When on-site investigations are required, regional healthcare administrators can also use other embedded appliances such as automated transcription tools to increase their work efficiency. In addition, our infectious disease EWARS also provides visualized analysis and prediction of potential infectious disease development to local health commissioners, disease control agencies and their affiliated CDCs to support their decision-making. This enables them to promptly and efficiently identify and differentiate infectious disease outbreaks even when concurrent outbreaks occur.

The below illustration shows the business workflow of our Infectious Disease EWARS:



The below illustration shows the details of our Infectious Disease EWARS.

As of the Latest Practicable Date, our infectious disease EWARS covers all 41 types of infectious diseases specified by the Law of the PRC on the Prevention and Treatment of Infectious Diseases.

Universal Health Information Platform Service

Our universal health information platform service helps regional healthcare administrators establish and manage a complete infrastructure of individual health records.

The functions of our universal health information platform service are set forth below:

- ***Multidimensional data collection:*** our services support our customers in the collection, storage and sharing of multidimensional data.

- ***Healthcare data management:*** regional healthcare administrators can use our services for establishment and management of electronic health records ("EHRs"), EMRs and demographic databases.

- ***Platform-embedded applications:*** our universal health information platform is also equipped with applications such as EHR browser, mutual recognition of medical examination results and doctor appointments.

- ***Monitoring and decision system:*** regional healthcare administrators can use our services to collect, monitor and analyze information in relation to regional EMRs for data-driven decision-making.

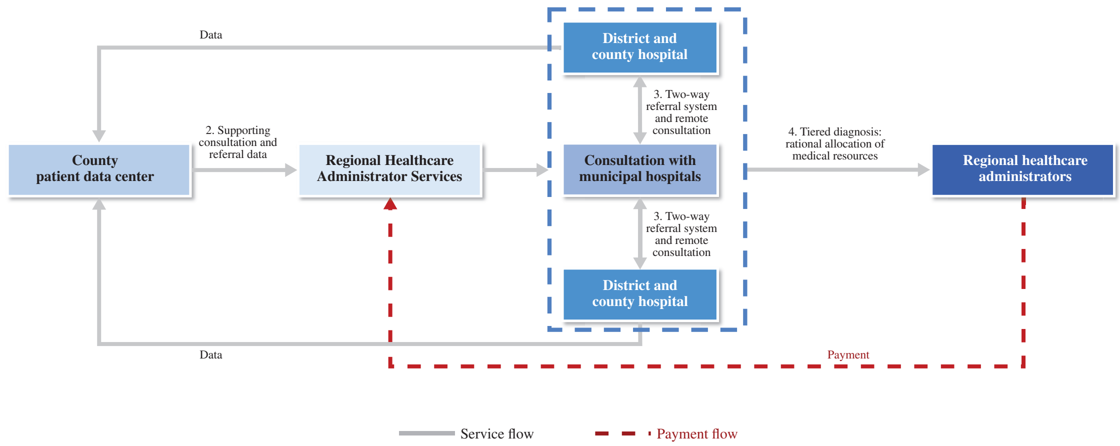
Our universal health information platform serves as an archive of residents' health information and a database for healthcare resources. It helps improve the standardization of residents' health information and increase the level of informatization and interconnectivity across regional healthcare administrators and medical institutions at all levels. With centralized storage, management, search and analysis of relevant information, regional healthcare administrators can achieve full-cycle management of regional EMRs. They can also use our universal health information platform services for further data mining to gain insights for decision-making. Regional healthcare administrators can also use our services to analyze the existing informatization standards and evaluate relevant implementation.

As of the Latest Practicable Date, we have established a municipal-level universal health information platform in four provinces, namely Anhui Province, Yunnan Province, Hunan Province and Jiangsu Province.

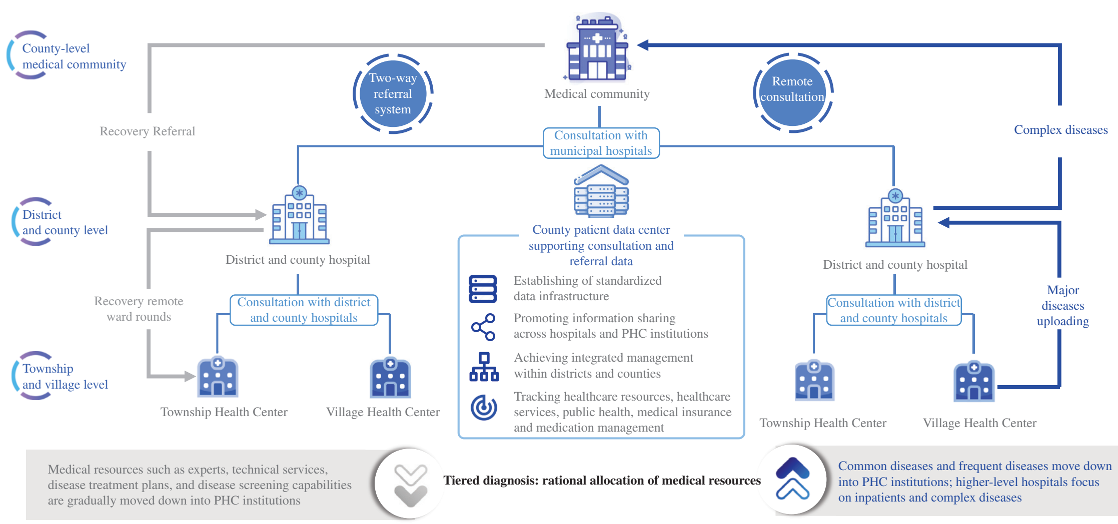
County-Level Medical Community Solutions

Our county-level medical community solutions have similar functions to universal health information platform services and are customized for county-level health commissions and PHC institutions. Our county-level medical community solutions help establish standardized data infrastructure according to unified standards for data labeling, processing and transmission. County-level healthcare administrators can use our county-level medical community solutions to promote the implementation of a tiered diagnosis and treatment system with information shared across hospitals and PHC institutions, achieving integrated management within the counties. Additionally, our solutions can be utilized to track key indicators in healthcare resources, healthcare services, public health, medical insurance and medication management, thereby achieving sound data-driven management of closely knit, integrated healthcare communities within counties.

The below illustration shows the business workflow of our County-Level Medical Community Solutions:



The below illustration shows the details of our County-Level Medical Community Solutions:



Medical Insurance Administrative Solutions

We extended our business from healthcare AI to Medical Insurance Administrative Solutions to secure the proper use of health insurance funds. We have developed data-driven Medical Insurance Administrative Solutions to examine and analyze the reasonableness of relevant insurance claims. Such solutions can be extended to hospitals as well. Our Medical Insurance Administrative Solutions primarily examine relevant EMRs at hospitals and report abnormality such as overtreatment or potential insurance fraud to regional medical security bureaus for their review and inspection.

In particular, we have developed and launched programs for the following modular services:

- ***DIP in-process audit and analysis***: this module leverages NLP, medical knowledge graphs and medical cognitive reasoning in reviewing medical insurance settlement lists and patient records under the DIP model, a case-based payment method for inpatient care under the regional global budget. It supports itemized payment audits, fraud detection and automated detection of abnormality or potential misuse of health insurance funds;

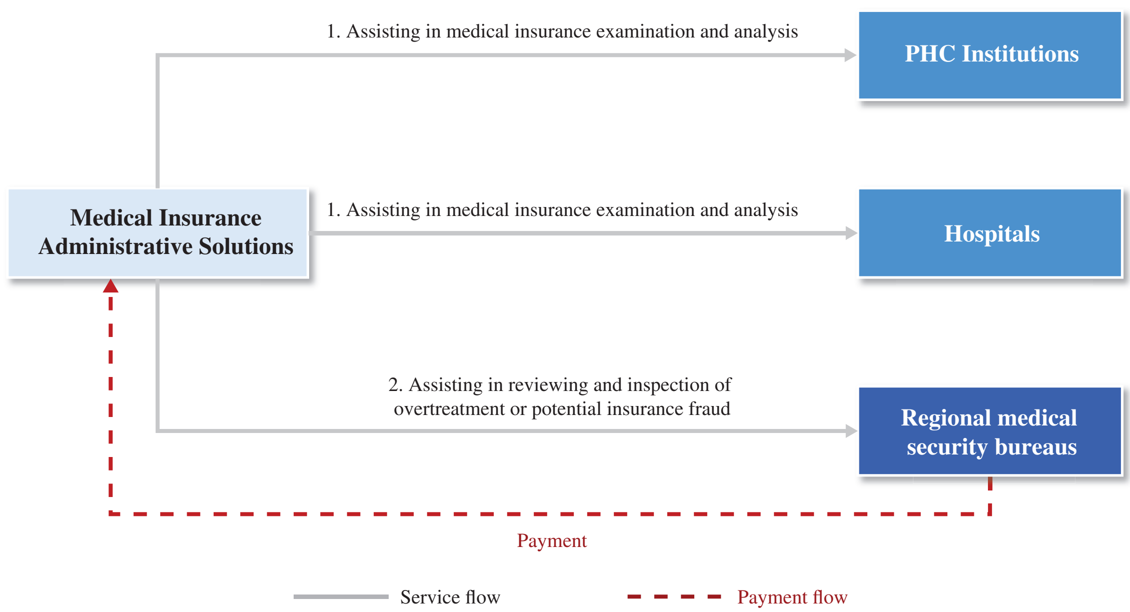
- ***In-patient risk control audit and analysis***: with a focus on itemized payments, this module helps to ensure conformity with the medical insurance catalog, identifying inappropriate medication usage, examining consistency between medical orders and charged items, and detecting anomalous medical insurance activities;

- ***Large-scale anti-fraud data monitoring***: this module performs an in-depth analysis of medical institution settlement data and clinical treatment data to accurately identify suspected insurance fraud; and

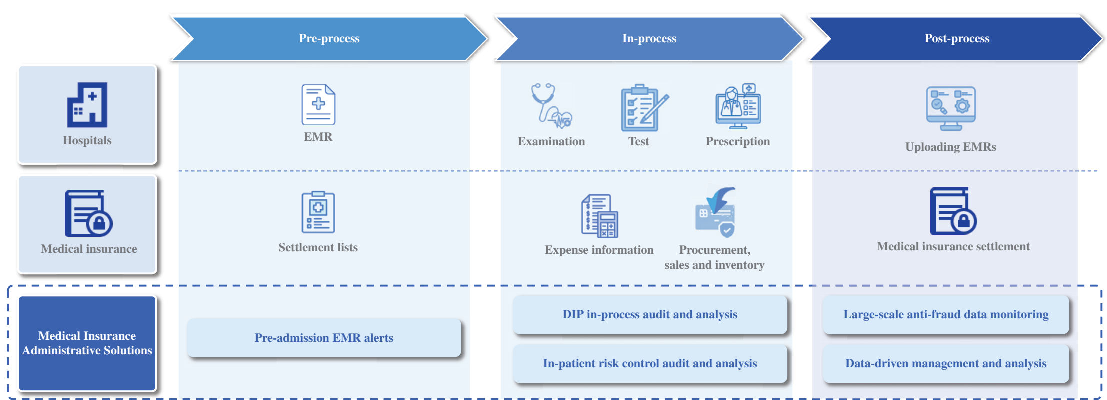
- ***Data-driven management***: this module performs an analysis of EMRs to facilitate management by regulatory bodies.

Our Medical Insurance Administrative Solutions can be used to serve doctors, hospital management and regional medical security bureaus. Hospitals and doctors equipped with our Medical Insurance Administrative Solutions receive pre-admission medical record alerts, where irregular activities such as bundled billings are reported for prompt identification of potential compliance risks. In addition, they also receive real-time outpatient risk alerts when frequent irregular medical visits and excessive cross-institution prescription practices are identified and reported. Hospital management can conduct in-process fee control analysis with daily updated inpatient medical records and expense information for risk control. They can also review management decisions with key indicators such as hospital and department efficiency, distribution of DIP groups, and the efficiency of key participants, departments and doctors to review the effectiveness of DIP payment system implementation. Our Medical Insurance Administrative Solutions also assist doctors to upload standardized EMRs with accurate codes, which can effectively facilitate DIP grouping and reduce costs. Regional medical security bureaus receive customized analysis reports monthly, enabling periodic in-depth assessment of compliance of the practices.

The below illustration shows the business workflow of our Medical Insurance Administrative Solutions:



The below illustration shows the details of our Medical Insurance Administrative Solutions:



As of the Latest Practicable Date, we have consistently operated our Medical Insurance Administrative Solutions in Shanxi Province and Yunnan Province and also offered products and services of Medical Insurance Administrative Solutions in Anhui Province and Jiangsu Province, engaging key stakeholders such as doctors, hospitals and regional healthcare administrators.

BUSINESS SUSTAINABILITY

The healthcare AI industry is emerging and fast growing. To capture the market opportunities and sustain our long-term growth, we have invested significant resources in R&D to develop our healthcare AI technology and upgrade our products and solutions as well as in sales activities. During the Track Record Period, we achieved steady revenue growth. Our revenue grew from RMB372.5 million in 2021 to RMB471.9 million in 2022 and further to RMB556.1 million in 2023. Our revenue increased from RMB194.5 million in the six months ended June 30, 2023 to RMB229.2 million in the six months ended June 30, 2024. Our gross profit margins remained steady at 50.4% and 48.9% in 2021 and 2022, respectively, and increased to 56.6% in 2023. Our gross profit margins increased from 52.1% in the six months ended June 30, 2023 to 52.9% in the six months ended June 30, 2024. During the Track Record Period, we primarily generated revenue from project implementation on a project basis. Moving forward, as our business grows, we will focus more on increasing the repurchase rates of customers.

We recorded net losses of RMB89.4 million, RMB208.6 million, RMB154.2 million, RMB106.0 million and RMB133.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 24.0%, 44.2%, 27.7%, 54.5% and 58.3% of our total revenue during the same periods. Eliminating the impact of items including (i) equity-settled share-based payments and (ii) listing expenses, we generated adjusted net losses (Non-IFRS measure) of RMB48.2 million, RMB110.5 million, RMB57.0 million, RMB57.7 million and RMB86.4 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 13.0%, 23.4%, 10.2%, 29.7% and 37.7% of our total revenue during the same periods. See "Financial Information — Non-IFRS Measures." Since our establishment and up to the Latest Practicable Date, we recorded net losses and did not achieve profitable primarily due to: (i) our early efforts to launch new products, enhance market acceptance and penetrate the markets of economically developing regions and (ii) our substantial investment in R&D activities. See "— Our Early Efforts to Lay the Groundwork."

We recorded net cash used in operating activities of RMB52.7 million, RMB113.9 million, RMB314.3 million, RMB126.2 million and RMB134.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Our operating cash outflow is mainly due to increases in our trade and other receivables during the same periods as a result of increases in the sales of our products and services and the longer payment cycles of certain regional healthcare administrator customers. See "Financial Information — Liquidity and Capital Resources — Cash Flow — Net Cash Used in Operating Activities." Our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus based on our cash flow projections and taking into account our business operations as well as the financial resources available to us, including our cash and cash equivalents, unutilized banking facilities and estimated net proceeds from the Global Offering. As of the Latest Practicable Date, our unutilized committed banking facilities amounted to approximately RMB343.3 million.

Our Early Efforts to Lay the Groundwork

(i) Established in 2016, we focused our early business operation on product development and market education to launch products suitable to address customer needs and promote market acceptance.

Established in 2016, we have focused our early business operation on product development and market education. According to Frost & Sullivan, the development and launching of new healthcare AI products are inherently time-consuming due to (a) the novelty of the technology and its applications and (b) the stringent regulatory requirement in the healthcare industry. As a result, it often requires validation and real-world testing to demonstrate the reliability of healthcare AI products in order to build trust among key stakeholders including healthcare administrators and doctors or other professionals at healthcare institutions.

We have undergone a similar path in our early development and successfully penetrated the market with a proven record of rapidly expanding from a pilot project for four county- and district-level regions to national coverage during the Track Record Period:

- in 2017, the AI model underlying our flagship product, General Practice CDSS, passed the NMLE (General Written test);
- in 2018, we launched pilot projects for General Practice CDSS in four counties and one district in Anhui Province;
- in 2020, with a proven record and market acceptance, our General Practice CDSS was deployed across the entire Anhui Province, serving more than 100 districts and counties; in addition, we expanded market coverage out of Anhui Province and enriched our product and service portfolio; and
- in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we offered products and services in 27, 29, 31, 23 and 24 provinces and 63, 102, 112, 64 and 83 cities, respectively.

We believe that we are well positioned to continue the growth momentum and further expand our business with (a) our previous experience and proven track record of demonstrating the effectiveness of our products, (b) our enhanced brand awareness due to our nationwide market penetration and reputation of our flagship products and (c) the increased market acceptance against the backdrop of society's growing familiarity with, and trust in, AI technologies.

(ii) We first penetrated the market in economically developing regions and subsequently started to expand our market coverage.

As one of the few market participants with capabilities to serve economically developing regions, which are regions with lower GDP level and lower digitalization level, we primarily focused on promoting our PHC services in these regions, with high market demand, in the early course of our development. During the Tack Record Period, we have gradually expanded our market coverage in larger cities and economically developed regions, including Jiangsu Province, Zhejiang Province and Guangdong Province. In particular, we have seen proven effectiveness of our phased penetration strategy in Zhejiang Province and plan to continually expand our coverage adhering to such strategy. See "— Our Strategies and Plans to Attract and Retain Customers, Enlarge Geographic Coverage and Strengthen Business Development Capabilities — PHC Services: Phased Penetration Strategy to Enhance Market Presence." During the Track Record Period, our revenue generated from Eastern China, Northern China and Southern China generally steadily increased.

According to Frost & Sullivan, the addressable market demand in different regions varies with factors such as GDP level. We believe that by continuously increasing penetration in economically developed regions, we are able to grasp the market potentials. We are able to efficiently expand market coverage given the scalable nature of our products. For example, by utilizing, updating and customizing modular healthcare services plug-ins and capabilities, we can develop suitable products without the need to overhaul entire systems. We also expect to benefit from the flywheel effect, where initial adoption of our products and services in economically developing regions demonstrates the effectiveness of our offerings and enhances market acceptance in economically developed areas. We can also optimize our offerings with deepened industry insights during such market penetration phrases, which in turn drives our geographic expansion and revenue growth.

(iii) We have invested heavily in R&D activities for the development, upgrade and optimization of our healthcare AI technologies during the Track Record Period.

To strengthen our technology capabilities, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we incurred research and development expenses of RMB159.8 million, RMB241.6 million, RMB264.0 million, RMB127.0 million and RMB135.3 million, respectively, representing 42.9%, 51.2%, 47.5%, 65.3% and 59.0% of our total revenue, during the same periods. Eliminating the impact of equity-settled share-based payments, our research and development expenses accounted for 40.2%, 45.6%, 42.9%, 58.4% and 55.5% of our total revenue, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. With such efforts, we have continuously upgraded and optimised our technologies, leading to breakthroughs such as our Xunfei Spark Medical Model in October 2023. Our research and development expenses for technologies aside from Xunfei Spark Medical Model were RMB159.8 million, RMB241.6 million, RMB224.3 million, RMB118.3 million and RMB118.3 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, representing 42.9%, 51.2%, 40.3%, 60.8% and 51.6% of our total revenue in the same periods, respectively. The improvement in 2023 and from the six months ended June 30, 2023 to the same period in

2024 reflects the gradual maturation of our products, increased efficiency of R&D and growing economies of scale. We believe we are well positioned to capitalize our breakthroughs with Xunfei Spark Medical Model to seize more growth potentials. See "— Further Plans to Improve Financial Performance — (ii) Solution Matrix Enhanced by R&D and LLM to Diversify Revenue and Drive Market Acceptance."

(iv) It is common for market participants in the healthcare AI industry to incur losses in their early development stage.

According to Frost & Sullivan, as the healthcare AI industry is still in its nascent stage, it is common for market participants in the healthcare AI industry as well as the overall AI industry to incur losses in their early development stage as they invest heavily in technology development characterised by significant upfront investment in research and development. According to the same source, our net loss margin during the Track Record Period is notably more contained compared to that of the majority of our listed industry peers and our current development progress aligns with the typical industry development pace for the healthcare AI industry and the overall AI industry. Among the top 10 companies in the AI in healthcare institution market in China by revenue, the lengths of establishment of pure AI healthcare companies, excluding Company A, B and E whose major business lines are not in the AI in healthcare institution market, range from six to 11 years. All of these top pure AI healthcare companies are still incurring net loss. See "Industry Overview — The AI in Healthcare Institution Market."

Solid and Growing Market Presence to Support Future Development

During the Track Record Period, we achieved solid and growing market presence in terms of expanding customer base, diversified revenue stream and enlarged geographic coverage, whilst maintaining stable gross profit margin. We believe such market presence helps us achieve sustainable future development.

(i) Expanding Customer Base and Project Implementation

We believe our capabilities to address the unmet and systemic demands of our customers are key for us to expand our customer base. We develop products and services to assist doctors, particularly at the level of PHC institutions, in line with regulatory focus and policy development in the healthcare industry. For our PHC Services, with an increasing degree of standardization and product maturity, we have refined our sales strategy in addition to the existing centralized bulk sales to municipal healthcare administrators who determine the deployment of our products and services of PHC institutions at the level of county, district and community with a more granular approach. We started to directly sell to an increased number of county, district and community-level healthcare administrators, which helps reduce the risk associated with reliance on a limited number of large municipal-level customers. Such additional sales strategy also enables us to reduce the operational, financial and management resources required to develop the business relationship with large municipal-level customers as they typically take longer to communicate with the PHC institutions at the county, district and community level to understand their needs before contracting with us for large-scale projects. This additional sales strategy enabled us to reduce the time investment required for establishing the business relationship. The average period of time from leads to order, i.e. from the identification of potential opportunities to the conclusion of contracts, decreased from approximately 405 days in 2021 to 274 days in 2022 and 205 days in 2023, and further decreased to 166 days in the six months ended June 30, 2024.

In addition, such additional sales strategy allowed us to further increase market penetration at the level of county, district and community and foster closer relationships with local healthcare administrators, allowing us to address specific customer demand and accumulate industry insights in a virtuous cycle. As of December 31, 2021, 2022, 2023 and June 30, 2023 and 2024, our PHC Services offerings covered more than 30,000, 44,000, 52,000, 45,000 and 58,100 PHC institutions in 278, 360, 430, 394 and 604 districts and counties affiliated with 63, 90, 112, 97 and 121 cities, respectively. Following this additional sales strategy, the revenue recognized from the county, district and community-level customers increased by 42.6% from RMB67.2 million in 2022 to RMB95.8 million in 2023 despite the overall decrease in revenue from our PHC Services from 2022 to 2023. The following table sets forth the (i) revenue from and (ii) the number of regional healthcare administrator customers at the county, district and community level, in both absolute amount and percentage of the total revenue and total number of customers, as well as (iii) the total number of contracts we entered into with customers at all levels and (iv) the average contract size of these contracts with customers at all levels, under our PHC Services for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of total amount for PHC Services)									
Revenue	113,425	52.6	67,183	23.5	95,812	40.0	61,009	70.1	35,557[4]	64.6[4]
Number of customers[1]	142	81.6	160	76.2	337	88.5	135	86.5	197	90.0
Number of contracts[2]	128	100.0	196	100.0	380	100.0	186	100.0	209	100.0
Average contract size[3]	1,299	100.0	1,772	100.0	626	100.0	759	100.0	382	100.0

Notes:

(1) Including both county, district and community level customers from whom we recognized revenue from project implementation and from whom we recognized revenue from continual provision of products and services, such as outbound calling services, under PHC Services. This includes both customers who entered into contracts with us prior to the indicated periods and recognized revenue during the indicated periods; and customers who entered into contracts with us in the indicated periods and recognized revenue in the indicated periods.

(2) Including contracts we entered into during the indicated periods with customers at all levels, for both project implementation and continual provision of products and services, such as outbound calling services, under PHC Services. For smart sphygmomanometers, smart glucometers and other medical devices we offered to customers under our Chronic Disease Management Tools, we typically entered into framework agreements with customers where no contract amount was indicated in the agreements; we sold such medical devices pursuant to each purchase order the customers made and recognized revenue from such sales under PHC Services. As a result, this type of framework agreement is not taken into consideration in counting the number of contracts or in the calculation of average selling price.

(3) The average value of all contracts we entered into under PHC Services during the periods indicated with customers at all levels, for both project implementation and continual provision of products and services, such as outbound calling services.

(4) The revenue from regional healthcare administrator customers at the county, district and community level in both absolute amount and percentage of the total revenue under our PHC Services decreased from the six months ended June 30, 2023 to the same period in 2024. This is because, in 2023, we completed and recognized revenue from several relatively large-scale projects with customers at the county, district and community level in the second quarter, while we typically record higher revenue under the PHC Services from customers at all levels in the fourth quarter of a year.

The successful application of our products at PHC institutions showcases our service capabilities and helps us further efficiently promote our products and services to regional healthcare administrators. With our brand reputation, we are able to efficiently promote our products and services to hospitals and residents. In addition, to grow our brand recognition, conduct market education and solicit customers, we also conduct or participate in on-site conferences, online events and content marketing.

During the Track Record Period, our strategy to attract and retain customers was proven effective by our expanding customer base and increasing project implementation. During the Track Record Period, we established a large customer base with deepened customer relationships. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had also offered Hospital Services to 121, 154, 221 and 247 Class III hospitals and 15, 31, 41 and 46 Class II hospitals in the PRC, respectively. As of June 30, 2024, more than 200 customers have purchased at least two of our products or services. The following table sets forth a breakdown of the number of customers with whom we signed contracts to implement projects by business line for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	Number of Customers				
PHC Services	75	70	94	32	66
Hospital Services	40	58	84	40	35
Patient Services	9	35	52	17	20
Regional Healthcare Solutions	4	9	16	6	16
Total	**128**	**172**	**246**	**95**	**137**

Note: Including customers with whom we signed contracts to implement projects by business line for the periods indicated and not including customers with whom we signed contracts only for continual provision of services. Each customer purchasing from multiple business lines is counted only once under the business line which the largest part of the respective contract sum is attributed to, and there are no overlapping customers across business lines.

A customer who enters into a contract with us for the first time is considered a new customer. The following table sets forth a breakdown of the number of new customers with whom we signed contracts to implement projects, the revenue we recognized from these customers, the number of existing customers who signed new contracts with us for project implementation and the revenue recognized from all existing customers by business line for the periods or as of the dates indicated:

	Year ended/As of December 31,			Six months ended/ As of June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
PHC Services					
Number of new customers	44	49	63	19	43
Revenue recognized from new customers *(RMB'000)*[1]	72,826	156,087	142,342	21,876	22,639
Number of existing customers	31	21	31	13	23
Revenue recognized from existing customers *(RMB'000)*[1]	142,741	141,974	97,412	65,169	32,403
Number of PHC institutions served as of the dates[2]	over 30,000	over 44,000	over 52,000	45,000	58,100
Hospital Services					
Number of new customers	32	45	57	26	20
Revenue recognized from new customers *(RMB'000)*[1]	18,017	19,049	21,714	6,841	6,033
Number of existing customers	8	13	27	14	15
Revenue recognized from existing customers *(RMB'000)*[1]	64,330	24,437	43,198	15,709	52,694
Number of Class III and Class II hospitals served as of the dates[2]	136	185	262	206	293

	Year ended/As of December 31,			Six months ended/ As of June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Patient Services					
Number of new customers	4	30	40	13	16
Revenue recognized from new customers *(RMB'000)*[(1)]	20,239	9,379	24,878	4,827	6,457
Number of existing customers	5	5	12	4	4
Revenue recognized from existing customers *(RMB'000)*[(1)]	12,045	27,515	109,943	35,030	88,257
Regional Healthcare Administrator Services					
Number of new customers	3	6	12	3	15
Revenue recognized from new customers *(RMB'000)*[(1)]	36,603	50,045	38,757	550	1,642
Number of existing customers	1	3	4	3	1
Revenue recognized from existing customers *(RMB'000)*[(1)]	5,651	43,374	77,881	44,530	19,079

Notes:

(1) Including revenue recognized from customers who have made purchases across multiple business lines and counted under other business lines which the largest part of their respective contract sums are attributed to. The decrease in revenue from existing customers of our PHC Services and Regional Healthcare Solutions was in line with the decrease in the total revenue from our PHC Services from RMB298.1 million in 2022 to RMB239.8 million in 2023 and from RMB87.0 million in the six months ended June 30, 2023 to RMB55.0 million in the same period in 2024, and the decrease in the total revenue from our Regional Healthcare Solutions from RMB45.1 million in the six months ended June 30, 2023 to RMB20.7 million in the same period in 2024. The decrease was partially as a result of the temporary lag of regional healthcare administrator customers' procurement process and contract execution. See "Financial Information — Period to Period Comparison of Results of Operations — Year Ended December 31, 2023 Compared to Year Ended December 31, 2022." The decrease in revenue from existing customers of our PHC Services was also in line with the decrease in overall market size of PHC institution CDSS in China which decreased from RMB283.7 million in 2022 to RMB261.3 million in 2023, according to Frost & Sullivan. During the same periods, our ability to generate revenue from existing customers, as well as from new customers, of our Hospital Services and Patient Services significantly improved.

(2) Including a small amount of PHC institutions/hospitals covered in pilot projects that did not generate revenue during the same periods.

(3) Number of existing customers include those who both purchased from us before the indicated year/period and took on new contracts during the indicated year/period. Revenue from existing customers encompasses earnings from both their new contracts and any ongoing older contracts entered before but generated revenue during the indicated year/period. This includes existing customers who have not entered into new contracts with us during the indicated year/period. Consequently, if no existing customers signed new contracts during the indicated year/period, the number of existing customers would be nil but there could still be revenue from the continuation of older contracts.

(ii) Diversified Revenue

We generate revenue from both project implementation and continual provision of products and services, including maintenance services and operations services which include AI outbound callings, patient service packages, cloud medical imaging and medical devices. Moreover, according to Frost & Sullivan, in the long run, the purchase pattern within the AI in Healthcare Institutions Market, especially that of healthcare administrators and hospitals, is expected to show stronger demand for ongoing project maintenance and operations as well as additional add-on services. This is because, as AI-empowered healthcare systems, platforms and tools are increasingly adopted by PHC institutions, such end users are expected to have an increasing demand for regular updates, system optimization, the integration of new features and add-on services to maintain efficacy and derive value for their daily operations over time. Meanwhile, according to Frost & Sullivan, the market for one-off purchases for project implementations continues to expand. The market for one-off purchases in healthcare institution AI is expanding, driven by a model of substantial initial investments followed by ongoing maintenance payments. Growing demand from healthcare end-users for advanced AI applications has intensified hospitals' willingness to invest in robust AI systems, recognizing AI's benefits in patient care, diagnostic accuracy, and operational efficiency. This trend ensures persistent demand for significant initial investments and highlights the importance of comprehensive, high-quality AI systems in meeting the evolving needs of medical institutions and their patients.

The revenue from continual provision of products and services as a percentage of our total revenue increased from 6.4% in 2021 to 8.5% in 2022, to 21.7% in 2023 and further from 22.2% in the six months ended June 30, 2023 to 38.0% in the six months ended June 30, 2024, primarily in relation to increased sales of patient service packages, cloud medical imaging services and Medical Device under Patient Services, helping us secure a stable revenue stream and cash flow. Meanwhile, the absolute amount of revenue from project implementations, which are defined as one-off purchases, increased from RMB348.5 million in 2021 to RMB431.8 million in 2022 and further to RMB435.7 million in 2023. The absolution amount of revenue from one-off purchases for project implementations remained relatively stable at RMB151.3 million in the six months ended June 30, 2023 and RMB142.1 million in the same period in 2024. We expect to generate an increasing absolute amount of revenue from one-off purchases for project implementation and our long-term strategy is to increase the proportion of revenue from operational, add-on and maintenance services. The following table sets forth a breakdown of our revenue in absolute amounts and as a percentage of our total revenue by type of revenue, including revenue from project implementation, revenue from continual provision of products and services and revenue from sales of medical devices under each business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)					
							(unaudited)			
PHC Services	215,567	100.0	298,061	100.0	239,754	100.0	87,045	100.0	55,042	100.0
Project implementation	202,931	94.1	272,777	91.5	214,011	89.3	75,462	86.7	45,945	83.5
Continual provision of products and services	12,635	5.9	25,285	8.5	25,743	10.7	11,583	13.3	9,097	16.5
Hospital Services	82,347	100.0	43,486	100.0	64,912	100.0	22,550	100.0	58,727	100.0
Project implementation	82,258	99.9	42,947	98.8	64,273	99.0	21,980	97.5	57,896	98.6
Continual provision of products and services	89	0.1	539	1.2	639	1.0	570	2.5	831	1.4
Patient Services	32,284	100.0	36,894	100.0	134,821	100.0	39,856	100.0	94,714	100.0
Project implementation	21,069	65.3	22,609	61.3	40,736	30.2	8,777	22.0	17,537	18.5
Continual provision of products and services — excluding sales of Medical Device	5,017	15.5	7,973	21.6	41,835	31.0	13,710	34.4	49,487	52.2
Continual provision of products and services — sales of Medical Device	6,198	19.2	6,313	17.1	52,251	38.8	17,369	43.6	27,690	29.2
Regional Healthcare Administrator Services	42,254	100.0	93,418	100	116,638	100.0	45,080	100.0	20,722	100.0
Project implementation	42,254	100.0	93,418	100	116,638	100.0	45,080	100.0	20,679	99.8
Continual provision of products and services	0	0.0	0	0	0	0.0	0	0.0	42	0.2
Total	**372,452**	**100.0**	**471,860**	**100**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

(iii) Enlarged Geographic Coverage and Increased Market Penetration

We expanded our geographic coverage during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we offered products and services in 27, 29, 31, 23 and 24 provinces and 63, 102, 112, 64 and 83 cities, respectively. In particular, we have recorded solid business performance in Anhui Province, our headquarters, as well as expanded our market presence in other provinces, especially Shanxi Province, Jiangxi Province, Jiangsu Province, Zhejiang Province and Guangdong Province. The following table sets forth a breakdown of our revenue in absolute amounts and as a percentage of our total revenue by location of customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)					
							(unaudited)			
Eastern China	107,446	28.8	107,821	22.9	259,749	46.7	98,223	50.5	122,563	53.5
Central China	34,207	9.2	71,866	15.2	34,514	6.2	23,314	12.0	19,187	8.4
Northern China	111,939	30.1	134,648	28.5	135,364	24.3	19,776	10.2	36,424	15.9
Southern China	12,322	3.3	16,422	3.5	50,431	9.1	9,752	5.0	2,076	0.9
Southwestern China	6,151	1.7	58,461	12.4	27,837	5.0	20,957	10.8	33,880	14.8
Northwestern China	100,388	27.0	82,644	17.5	48,229	8.7	22,509	11.6	15,075	6.6
Total	**372,452**	**100.0**	**471,860**	**100.0**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

The following table sets forth the number of provinces, cities as well as districts and counties where we entered into sales contracts to implement projects and provide services for the periods/as of the dates indicated:

	Year ended/As of December 31,			Six months ended/ As of June 30,	
	2021	2022	2023	2023	2024
Total number of provinces	**27**	**29**	**31**	**23**	**24**
Total number of cities	**63**	**102**	**112**	**64**	**83**
Total number of districts and counties as of the dates indicated	**278**	**360**	**430**	**394**	**604**

Further Plans to Improve Financial Performance

We plan to improve our financial performance by (i) continuously attracting customers, expanding geographic coverage as well as boosting revenue from existing customers; (ii) continuously optimizing and enriching our solution matrix, especially with the enhancement of our Xunfei Spark Medical Model; and (iii) enhancing operational efficiency and economies of scale to improve profitability. We expect to incur net loss and net operating cash outflows for 2024 as we continue to invest in R&D activities for the development, upgrade and optimization of our healthcare AI technologies.

The market size of the healthcare AI industry in China has increased significantly. According to Frost & Sullivan, the market size of the healthcare AI industry in China grew from RMB2.7 billion in 2019 to RMB8.8 billion in 2023, at a CAGR of 33.8%. It is expected to further grow to RMB315.7 billion in 2033 at a CAGR of 43.1% from 2023 to 2033. Benefiting from competitive edges we have established and the following strategies we plan to adhere to, we believe we are able to maintain the sustainability and growth of our business.

(i) Our Strategies and Plans to Attract and Retain Customers, Enlarge Geographic Coverage and Strengthen Business Development Capabilities

PHC Services: Phased Penetration Strategy to Enhance Market Presence

We began cultivating our customer base by collaborating with key stakeholders such as province-level and city-level healthcare administrators to demonstrate our capabilities and establish our presence. Such collaborations serve as a springboard for enhancing our credibility and brand recognition, allowing us to further increase market penetration by enhancing collaboration with county and district-level regions. As of December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, we provided PHC Services in 27, 29, 31 and 31 provinces, respectively, achieving comprehensive coverage at province level in mainland China.

Our business development in Anhui Province is an exemplar pathway where we first demonstrated the capabilities of the AI model underlying our flagship product, General Practice CDSS, and rapidly replicated the application of our healthcare AI solution to cover the whole Anhui Province. We have also successfully implemented such phased penetration strategy in other provinces. For example, we collaborated with healthcare administrators in Zhuji, Zhejiang Province for the deployment of our General Practice CDSS products. Since its pilot launch in 2022 and as of June 30, 2024, our General Practice CDSS has covered all 23 PHC institutions and 340 village health stations in Zhuji. As such proven effectiveness helps enhance our brand recognition and market acceptance, we have replicated such collaboration in other cities in Zhejiang Province and provided our offerings to three and nine cities and their respective county and district-level regions in Zhejiang Province in 2023 and the six months ended June 30, 2024, respectively. We plan to continuously implement such phased penetration plans in economically developed regions. We plan to explore opportunities in markets where we do not currently offer our General Practice CDSS, including Beijing, with our enlarged commercialization team, established customer service centers and added operating personnel. See "Future Plans and Use of Proceeds."

In addition to the geographical coverage, we also plan to solidify market presence by deepening the relationships with our customers and enhancing customer loyalty. We plan to expand our customer base by further increasing our sales to county, district and community-level healthcare administrators. Specifically, we plan to significantly increase our coverage of districts and counties in Zhejiang Province, Heilongjiang Province, Henan Province and Hunan province utilizing our current presence and past success in collaboration with customers in these provinces.

We plan to increase our sales and marketing activities to further grow our PHC Services following the aforementioned strategy. In particular, we intend to focus on more actively identifying, pursuing and managing business opportunities through our sales network and enhancing our bid participation through targeted marketing efforts and analysis of customer need. To achieve this end, we will further invest in optimization of our offerings to address customer demand and the training and development of our sales team. In 2021, 2022 and 2023, we won 37, 41 and 55 tenders for our PHC Services, respectively. In the six months ended June 30, 2023 and 2024, we won 21 and 24 tenders for our PHC Services, respectively. We plan to continue to increase our participation in our potential customers' bidding processes and enhance the efficiency of our sales and marketing efforts.

Although the revenue from our PHC Services decreased from 2022 to 2023 and from the six months ended June 30, 2023 to the same period in 2024, our phased penetration strategy is expected to turn around the decrease in revenue from PHC Services in view of (i) the increased number of projects for which we entered into sales contracts from the six months ended June 30, 2023 to the same period in 2024 and (ii) an increased revenue from General Practice CDSS under PHC Services from the two months started July 1, 2023 and ended August 31, 2023 in comparison to the same period in 2024 based on our unaudited management accounts.

Hospital Services: Collaboration with Leading Hospitals to Demonstrate Service Capabilities and Launch of More Value-Added Services to Seize Market Potentials

Our strategic approach to expanding hospital customer base hinges on our initial partnerships with leading hospitals to establish brand recognition. As of the Latest Practicable Date, we had provided products and services to more than 40 out of the Top 100 hospitals in China. By providing a diverse suite of healthcare AI services from pre-diagnosis through diagnosis and post-diagnosis stages, we showcase the effectiveness of our products and services. As of June 30, 2024, we have provided Smart Hospital Solutions to more than 16 million patients.

In addition, according to Frost & Sullivan, the heightened awareness among the public has driven the demand for value-added services such as personalized and refined solutions, where patients receive care that can be tailored to meet their unique needs. In response to this trend, we continuously enriched our offerings under Hospital Services and launched new products such as the VTE System and Single Disease Intelligent Management Platform during the Track Record Period. We believe these strategies can help us further seize the market demands. As of June 30, 2024, we have provided Intelligent Assistant to more than 57,700 doctors.

We believe we can broaden our reach and increase penetration of regions characterized by a high density of hospitals with brand influence established from cooperation with such leading hospitals. We will further strategically expand our coverage of hospital customers in key markets including Beijing, Shanghai, Shandong Province, and Sichuan Province.

Patient Services: Diverse and Evolving Offerings Generating Sustainable Cash Flow

We have invested in developing a diverse portfolio under Patient Services:

- under our Post-Discharge Management Platform Tools, we have launched products supporting post-discharge management of diseases as of June 30, 2024, and will further expand the applicability of such tools in the later half of 2024;

- under our Cloud Medical Imaging Platform, we established province-level coverage in Anhui Province and recorded increasing revenue during the Track Record Period. The number of services provided by Cloud Medical Imaging Platform increased from approximately 1.9 million times in the six months ended June 30, 2023 to 4.5 million times in the same period in 2024 with increasing average selling prices. More than 1,970 healthcare institutions in Anhui Province have registered on our Cloud Medical Imaging Platform, covering approximately 100% of the healthcare institutions in Anhui Province as of the Latest Practicable Date. We plan to expand the coverage to provinces other than Anhui Province that are densely populated with premium healthcare resources and favorable policies;

- under our Medical Device, we launched multiple versions of our hearing aids products, including the professional version of hearing aids, the Xing series, during the Track Record Period. We plan to further increase the applicability and functionality of our products. We also plan to further expand our sales network via measures such as collaborating with more offline retailers. We also plan to launch other types of medical devices.

Our diverse and evolving offerings of Patient Services are expected to continue and serve as a critical component of our business sustainability.

Regional Healthcare Solutions: Continuous Implementation of Benchmark Cases to Showcase Value of Our Products

We believe implementing benchmark cases that apply novel healthcare AI solutions to address systemic demands, such as deployment of our Medical Insurance Administrative Solutions to facilitate the efficient deployment of health insurance funds, can increase market acceptance among healthcare administrator customers. Such benchmark cases provide evidence of the value and effectiveness of our offerings. As a result, we can negotiate and promote our products and services more efficiently in other regions, achieving steadfast market expansion and enjoying the flywheel effect.

We have implemented and plan to continuously implement benchmark cases in response to favorable policies to address market demands. In 2021, 2022, 2023 and the six months ended June 30, 2024, we entered into three, one, eight and one strategic cooperation agreements, respectively, with duration typically ranging from three to five years with healthcare administrators. The increase in the number of our strategic cooperation agreements in 2023 was primarily due to our efforts in promoting medical insurance solutions.

- Under our Regional Healthcare Administrator Services, we deployed our Infectious Disease EWARS in Hefei, Anhui Province during the Track Record Period. Based on this benchmark case, we plan to further promote our solutions in provinces that are densely populated with premium healthcare resources and favorable policies.

- Under our Medical Insurance Administrative Solutions, we have launched four programs in Shanxi Province, Anhui Province, Jiangsu Province and Yunnan Province. We plan to enhance our deployment of Medical Insurance Administrative Solutions and promote new hospital-facing products in cities and provinces that are densely populated with premium healthcare resources and favorable policies.

In addition, based on existing collaborations with healthcare administrators, we believe we can retain client relationships and keep optimizing and diversifying our Regional Healthcare Solutions with industry insights accumulated from communication with them. As a result, we believe we are able to build higher customer adherence, create more cross-sales opportunities and achieve business growth in the long run.

(ii) Solution Matrix Enhanced by R&D and LLM to Diversify Revenue and Drive Market Acceptance

We provide a healthcare AI solution matrix that caters to the diverse needs of participants in the healthcare industry. We plan to continue maintaining systemic-innovation R&D to upgrade and optimize the function of our existing products and services to enhance the competitiveness of our offerings. We are also aiming at exploring new opportunities to extend more services to scale up and diversify our revenue. For example, we plan to further enhance the soundness of diagnostic recommendation and knowledge retrieval by our General Practice CDSS and expand our General Practice CDSS under Hospital Services to cover more medical specialty areas such as pan-vascular diseases, psychological health, orthopedics and sports medicine. Furthermore, we plan to enrich our Medical Device portfolio to offer products such as sphygmomanometers and glucometers directly to patients, leading to diversified revenue stream and steady cashflow.

Our product development approach ensures the efficiency of R&D activities. See "Technology — Technology-Fueled Product Development." By integrating modular healthcare services plug-ins and capabilities, we can roll out new products without the need to overhaul entire systems. It also facilitates easier scalability and updates, as individual modules can be updated, replaced, or scaled independently according to emerging needs or technological advancements, and improvements in one area can benefit multiple applications.

We also expect to enhance our offerings with our LLM advancements. We have reached a milestone in our research and development efforts with the launch of Xunfei Spark Medical Model in October 2023, as its underlying capabilities have matured to the point where it can be readily applied to enhance existing offerings or to create new ones. See "Technology." As a result, we are poised to shorten the time-to-market of our future products and services, achieve an improvement in operating leverage as our business grows and further secure revenue growth. In October 2023, we have launched our Xunfei Spark Medical Model-empowered Post-discharge Management Platform, Xunfei Xiaoyi App and Mini Program. In April 2024, we launched our new series of hearing aids, the Xing series, that are empowered by our Xunfei Spark Medical Model. See "— Our Patient Services — Medical Device."

Our Xunfei Spark Medical Model can also be used to enhance services provided to hospitals. Prior to consultation and diagnosis, our products and services can enhance the patient experience and transform the consultation process with human-like and free-form dialogue, achieving intelligent patient triage services and medical history collection. During the consultation, we improve doctors' diagnostic capabilities with evidence-based suggestions and explainability. After the consultation, we improve service efficiency with recovery plans and proactive management.

We may also use our Xunfei Spark Medical Model to provide solutions to customers along the value chain of healthcare services, creating more potentials for monetizing our LLM and other leading capabilities, allowing them to access and customize interface capabilities through API integration. For example, we will explore opportunities to collaborate with medical institutions and corporate entities in health management and hospital informatization to enhance their existing products and services with Xunfei Spark Medical Model.

(iii) Effectively Maintaining and Improving Our Profit Margins by Managing Our Expenses with Economies of Scale

Our ability to maintain relatively high and further improve profit margins by managing cost and operating expenses is critical to the growth and stability of our business and our profitability. In particular, we believe we are able to leverage economies of scale as our scale of revenue increases. Through our optimization of the solution matrix, management of cost and expenses and expansion of customer base, we believe we are able to achieve synergies across medical scenarios and among different types of customers, enhance our operational efficiency and realize economies of scale, laying a solid foundation for our business sustainability and achievement of profitability in the near future.

Our gross profit margin remained stable at 50.4% and 48.9% in 2021 and 2022, respectively, and increased to 56.5% in 2023. Our gross profit margin remained relatively stable at 52.1% in the six months ended June 30, 2023 and 52.9% in the six months ended June 30, 2024, mainly attributed to the higher gross profit margin of PHC Services, Hospital Services and Patient Services in the six months ended June 30, 2024 as compared to the same period in 2023, which was partially offset by a decrease in the gross profit margin of Regional Healthcare Solutions primarily because of (i) the revenue recognition of two large-scale projects in the six months ended June 30, 2023 with higher gross profit margins of over 80.0% due to a higher level of standardization and correspondingly a lower demand for customization and fine-tuning, resulting in a lower cost of sales as a percentage of revenue along with higher gross profit margins; and (ii) the revenue recognition of several large-scale projects in the six months ended June 30, 2024 with lower gross profit margins due to the higher proportion of externally sourced products or services. The higher level of externally sourced products or services resulted in a relatively high cost of sales as a percentage of revenue and therefore relatively low gross profit margins. See "Financial Information — Period-to-Period Comparison of Results of Operations — Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023 — Gross Profit and Gross Profit Margin" for details. Our gross profit margin in the six months ended June 30, 2024 was higher than that in 2021 and 2022 and we will continue improving the gross profit margin. In particular, we have improved our operating leverage, via enhanced measures to control costs and increase human capital efficiency, such as refined standards for budget setting and reimbursement. Our research and development expenses amounted to RMB159.8 million, RMB241.6 million, RMB264.0 million, RMB127.0 million and RMB135.3 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 42.9%, 51.2%, 47.5%, 65.3% and 59.0% of our total revenue during the same periods. Our research and development expenses increased by 6.5% in the six months ended June 30, 2023 in comparison to the same period in

2024, which was significantly slower than the revenue growth during the same period. Particularly, the research and development expenses excluding those incurred for the development of the Xunfei Spark Medical Model, were RMB159.8 million in 2021 and decreased from RMB241.6 million in 2022 to RMB224.3 million in 2023, representing 42.9%, 51.2% and 40.3% of our total revenue in 2021, 2022 and 2023, respectively. The research and development expenses, excluding those incurred for the development of the Xunfei Spark Medical Model, remained at RMB118.3 million in the six months ended June 30, 2023 and the six months ended June 30, 2024, representing 60.8% and 51.6% of our total revenue in the same periods, respectively. The improvement in 2023 and the six months ended June 30, 2024 reflects the gradual maturation of our products, increased efficiency of R&D and growing economies of scale.

Our selling expenses amounted to RMB90.7 million, RMB159.9 million, RMB163.1 million, RMB68.7 million and RMB87.5 million, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 24.3%, 33.9%, 29.3%, 35.3% and 38.2% of the total revenue during the same periods. Our selling expenses increased by 27.2% in the six months ended June 30, 2024 in comparison to the same period in 2023, which was faster than the revenue growth during the same period. In particular, the relevant labor costs associated with sales and marketing activities as well as traveling and hospitality expenses as a percentage of the total revenue were 11.0% and 3.4% in 2021, and decreased from 15.0% and 4.7% in 2022 to 11.8% and 3.6% in 2023, respectively, reflecting higher human capital efficiency. The relevant labor costs associated with sales and marketing activities as well as traveling and hospitality expenses as a percentage of the total revenue were 16.5% and 5.3% in the six months ended June 30, 2023 and 16.7% and 4.2% in the six months ended June 30, 2024, reflecting an enlarged sales team to continue improving our customer base with an increased efficiency in traveling and hospitality activities. Our administrative expenses amounted to RMB69.3 million, RMB109.4 million, RMB112.6 million, RMB53.9 million and RMB44.5 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 18.6%, 23.2%, 20.2%, 27.7% and 19.4% of our total revenue, during the same periods, respectively. Our administrative expenses decreased by 17.4% in the six months ended June 30, 2024 in comparison to the same period in 2023, while our revenue grew during the same period. In particular, the relevant labor costs associated with administrative expenses as a percentage of the total revenue were 7.8% in 2021, from 6.9% in 2022 to 6.1% in 2023, and further from 7.2% in the six months ended June 30, 2023 to 6.7% in the six months ended June 30, 2024, reflecting higher human capital efficiency.

We plan to continue leveraging previous investment in the R&D of technologies. We believe we can seize the market opportunities by utilizing the increasing productivity and capabilities of our Xunfei Spark Medical Model in a diverse range of products and services. While we will continue investing in our research and development capabilities to fuel our business growth, we expect our R&D expenses to generally decrease as a percentage of total revenue in the long term as we are able to capitalize on our technologies based on our success in research and development. Our product development approach ensures the efficiency of R&D activities. See "Technology — Technology-Fueled Product Development." By integrating modular healthcare services plug-ins and capabilities, we can roll out new products without the need to overhaul entire systems. It also facilitates easier scalability and updates, as individual modules can be updated, replaced, or scaled independently according to emerging needs or technological advancements, and improvements in one area can benefit multiple applications.

Our investments in selling efforts help us swiftly expand our business scope. We believe that continual investments in selling expenses will bolster our efforts in commercializing our AI technologies, capitalizing on growing market opportunities and extending our reach to a broader customer base. As we believe we are able to continually optimize our products and services to address customer demands, especially with the enhancement of Xunfei Spark Medical Model, we are able to keep building our brand recognition. This will help us attract and retain customers in a more efficient way and at a lower cost. In addition, to achieve, maintain and enhance our profitability, we plan to leverage our large customer base to effectively implement our cross-selling strategy across different business segments. With increased level of customer satisfaction and enhanced effectiveness of selling activities, we believe we are able to reduce selling expense as a percentage of our revenue. In addition, we plan to further adopt strategies for controlling sales expenses, including (i) focusing marketing efforts on high-return markets such as regions with high density of medical institutions; (ii) training our sales personnel to improve their capabilities; (iii) leveraging know-how and experience from previous successful sales and marketing efforts; and (iv) continuously reviewing and analyzing sales expenses to identify areas where costs can be reduced without impacting sales performance.

We have utilized administrative expenses to build an efficient administrative team. We expect our administrative expenses as a percentage of total revenue to generally decrease in the long term. In addition, we plan to further adopt strategies for controlling administrative expenses, including (i) utilizing productivity technologies and tools to streamline administrative tasks and (ii) continuously reviewing and analyzing administrative expenses to identify cost-saving opportunities. We also plan to continue evaluating and monitoring the efficiency of our administrative expenses. As a result, we can achieve an overall improvement in operation efficiency and enhancement in our results of operations.

(iv) Efficient Management of Working Capitals

We have implemented systematic measures to ensure efficient working capital management. At the start of each financial year, we establish an annual target for our cash flow budget. At the beginning of each month, we forecast and simulate the cash flow completion for the current and subsequent quarters, setting monthly cash flow targets. We issue weekly updates on the cash flow status against our monthly cash flow targets and daily reports on our cash balance. As of December 31, 2021, 2022, 2023 and June 30, 2024, our trade receivables net of allowance amounted to RMB162.3 million, RMB273.6 million, RMB498.3 million and RMB560.7 million, respectively. We had relatively long trade receivables turnover days during the Track Record Period, primarily because a significant portion of our revenue was derived from sales to regional healthcare administrators, which typically feature a long payment cycle. We have a dedicated department responsible for trade receivable collections and continually monitor the credit profiles as well as operating and financial condition of our customers. We maintain financial stability by managing trade receivables primarily through the following measures:

- Our sales members are tasked with following up on customer payments with monthly targets. Depending on the amount and overdue days, we coordinate multiple departments, including the sales team, finance team and our senior management, to devise trade receivable collection plans analyzing issues involved and efforts needed, as well as specifying time frames and responsible employees.

- The collection of trade receivables is factored into the quarterly to semiannual performance appraisal of our sales team and relevant management members. This aspect of performance influences up to 30% of the overall assessment.

- Our senior management including general manager, financial director and vice presidents regularly review overdue payments and lead the aforementioned trade receivable collection plans to ensure timely measures are taken to address collection issues. For key customers and customers from which we have a relatively large amount of trade receivables, our senior management actively engages in the communication with their senior management to ensure the collection of such trade receivables. For example, for the sales of comprehensive services to a municipal regional healthcare administrator customer, the customer and us agreed on payment terms where the total contract value is paid in five installments over five years, with the first installment due on December 31, 2023. The second instalment will become due by the end of 2024. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Non-Current Assets and Liabilities — Long-term Trade Receivables" for details. As the first installment became overdue, our senior management started to actively communicate with multiple members of the senior management of this customer in 2024. As a result of this active communication, the customer has paid us RMB1.0 million in the six months ended June 30, 2024 and has signed a letter of undertaking in April 2024 undertaking to pay the remainder of the first installment and a small portion of the second installment in 2024, totaling RMB20 million which has been included in the fiscal budget for 2024. We are in active communication with this customer to arrange the full payment of the second installment. To the best of our knowledge, the payment of the second installment will be subject to the fiscal budget of this customer. For the sales to another customer for the comprehensive services provided to an end user of a municipal health commission, the total contract value would be paid in three instalments over three years, with the first instalment due on December 31, 2023 and the second instalment due by the end of 2024, according to the original contract terms. As of Latest Practicable Date, we have been actively communicating with this customer and working to reach a supplemental agreement on a new payment schedule aiming to receive full payment by the end of 2026.

- For trade receivables overdue for more than six months, we generally involve our legal department to take actions such as issuing demand or lawyer's letters and initiating litigation. Prior to taking official legal actions, we assess the condition of the trade receivables by examining factors including the payment history of the respective customers and our business relationship with them. For customers who possess a commendable track record of creditworthiness, maintain robust business relations with us and engage in ongoing communication with us about their trade receivable payments, our sales team continue pursuing payment collection through amicable communication. If we identify indications of payment collection difficulties or if the outstanding trade receivables from these customers remain unpaid for a prolonged period of time, our legal department takes over the management of such trade receivables with further actions. For example, to further remind and strongly urge our customers to make payments, we issued 10, 40, 57, 10, 34 and 19 demand or lawyer's letters in 2021, 2022, 2023, the six months ended June 30, 2023 and 2024 and the two months started July 1, 2024 and ended August 31, 2024, respectively.

For customers who are not responsive to our demand or lawyer's letters or who fail to pay outstanding trade receivables after a prolonged period following our issuance of demand or lawyer's letters, our legal department initiates litigation. In 2021, 2022, 2023, the six months ended June 30, 2023 and 2024 and the two months started July 1, 2024 and ended August 31, 2024, we initiated two, four, 11, one, four and one litigations, respectively, to obtain judgments or reach settlements so that we can legally require the customers to make payments. During the Track Record Period, trade receivables we collected using such official legal actions have significantly increased and the success rate of litigations we initiated generally remained nearly at 100.0%. The following table set forth the details of our official legal actions for the periods indicated:

	Year ended/As of December 31,			**Six months ended/As of June 30,**		**Two months started July 1 and ended August 31,**
	2021	**2022**	**2023**	**2023**	**2024**	**2024**
Number of customers covered[1]	9	30	50	5	32	20
Amount of trade receivables covered *(RMB'000)*[2]	17,361	24,238	82,828	1,015	45,488	15,846
Amount of trade receivables covered by demand and lawyer's letters *(RMB'000)*[2]	17,253	18,279	66,680	617	30,336	15,461
Amount of trade receivables collected through demand and lawyer's letters *(RMB'000)*[3]	1,504	10,830	12,493	577	2,557	1,212
Amount of trade receivables covered by litigations *(RMB'000)*[2]	108	5,958	16,148	399	15,152	385
Number of litigation initiated	2	4	11	1	4	1
Number of litigations reached successful judgments or settlements[3]	2	4	11	1	3[6]	–[9]
Amount of trade receivables covered by successful judgments or settlements *(RMB'000)*[3]	108	5,958	16,148	399	10,336	–[9]
Amount of trade receivables collected through successful judgments or settlements *(RMB'000)*[3]	108	5,958	7,331	399	10,265	–[9]

	Year ended/As of December 31,			Six months ended/As of June 30,		Two months started July 1 and ended August 31,
	2021	2022	2023	2023	2024	2024
Success rate of litigations (%)[4]	100.0	100.0	100.0	100.0	75.0[6]	–[9]
Recovery rate of litigations (%)[4]	100.0	100.0	45.4[5]	100.0	67.6[5]	–[9]
Trade receivables covered in the period indicated to the beginning balance of overdue trade receivables (%)[7]	N/A	37.4	52.0	0.6	14.0	3.5
Amount of trade receivables collected in the period indicated	1,612	16,788	19,824	975	12,822	1,306[9]
Trade receivables collected in the period indicated to the beginning balance of overdue trade receivables (%)[8]	N/A	25.9	12.5	0.6	4.0	0.3[9]

Notes:

(1) The number of customers covered refers to those involved in our official legal actions during the specified year or period.

(2) Trade receivables for which we not only issued a demand and/or lawyer's letter but also initiated a litigation in the period indicated, are counted once. Such trade receivables are counted in the amount of trade receivables covered by litigations but not the amount of trade receivables covered by demand and lawyer's letters.

(3) Represents the trade receivables collected as of August 31, 2024 through the indicated official legal actions, among the trade receivables covered by the indicated official legal action in the period indicated, irrespective of when the amount was recovered. If trade receivables are pursued through sending demand letters and/or lawyer's letters, along with initiating litigation in separate years or periods, the amount recovered is included in the year or period in which the final legal action was taken. For example, the trade receivables for which we initiated litigations in 2021 but received payment in 2022 were included in the amount of trade receivables collected through the judgments or settlements in 2021.

(4) The success rate of litigations equals the amount of trade receivables covered by successful judgments or settlements in the period indicated divided by the amount of trade receivables covered by litigations in the same periods. The recovery rate of litigations equals the amount of trade receivables collected through the successful judgments or settlements in the period indicated divided by the amount of trade receivables covered by litigations in the same period.

(5) Among the litigations that have successfully reached positive judgments or settlements, some customers have paid the outstanding trade receivables in full and others have arranged to pay by installment. Some of them have arranged to pay by instalment within 2024 and the rest within 2025.

(6) As of the August 31, 2024, we have settled three of the four litigations that we brought in the six months ended June 30, 2024. The litigation that had not been settled was *sub judice* as of the Latest Practicable Date.

(7) The trade receivables covered to the total amount of overdue trade receivables in the period indicated equals amount of trade receivables covered in the period indicated divided by the total amount of overdue trade receivables at the beginning of the same period and multiplied by 100%.

(8) The trade receivables collected to the total amount of overdue trade receivables in the period indicated equals amount of trade receivables collected in the period indicated divided by the total amount of overdue trade receivables at the beginning of the same period and multiplied by 100%.

(9) We brought one litigation in the two months started July 1, 2024 and ended August 31, 2024 with the amount in dispute of RMB385,000. As of the Latest Practicable Date, the litigation has been settled and the customer has made full payments to us.

We aim to maintain amicable communication with our customers but resort to legal measures to ensure the collection of overdue trade receivables. For example, for our sales of General Practice CDSS to a municipal health commission in 2020, the contract value became overdue by the end of 2020. Our sales team and senior management engaged in ongoing communicating with this customer for payment collection. Our legal department also issued lawyers' letters to this customer in 2021 and 2023, respectively. The customer subsequently pledged to pay the overdue trade receivables by 2023 but was unable to fulfill this commitment. As a result, our legal department initiated litigation in 2024, following which the customer has paid up its overdue trade receivables. Notwithstanding our effective measures to recover overdue trade receivables as demonstrated above, most of our trade receivables are due from regional healthcare administrator and other SOE customers, some of whom have long-term business relationships with us. As we plan to continue enhancing brand image by further engaging in landmark projects for regional healthcare administrators, we assess the condition of the trade receivables with caution, rather than bringing litigation against every regional healthcare administrator customer who has overdue trade receivables. As we plan and expect to derive a higher portion of revenue from Hospital Services and Patient Services, we anticipate a more straightforward process in the collection of trade receivables.

For the remaining overdue trade receivables, we maintain active communication with these customers and constantly monitor and evaluate the conditions of trade receivables to ensure timely measures are taken to address collection issues. Our senior management regularly review overdue payments and actively engages in the communication with our customers. Prior to taking official legal actions, we assess the condition of the trade receivables by examining factors including the payment history of the respective customers and our business relationship with them. If we identify indications of payment collection difficulties or if the outstanding trade receivables from these customers remain unpaid for a prolonged period of time, our legal department takes over the management of such trade receivables with further actions.

In addition, we aim to leverage our scale to negotiate attractive credit terms with our suppliers. Furthermore, as of the Latest Practicable Date, our unutilized committed banking facilities amounted to approximately RMB343.3 million. We believe we are able to enhance our financial condition with our effective working capital management.

TECHNOLOGY

Coupled with our understanding of the healthcare industry, our technology capabilities enable us to continuously address systemic requirements in medical scenarios.

Technology Capabilities

Proprietary NLP model. NLP transforms scattered and unstructured information in the human world into structured medical data suitable for AI models. This process typically requires human intervention for data labeling to identify raw data, append informative labels and supply context for machine learning. Our proprietary model allows semi-automatic monitoring, management and labeling of information by emulating human cognitive processes, ensuring the precision and comprehensiveness of data processing. Our model converts unstructured or inconsistently formatted text, such as electronic medical records, test reports, textbooks, and dialogues between doctors and patients, into structured text. This technology allows for the efficient identification of descriptions of discomfort, disease names, physical conditions and treatment methods found in EMRs. This provides a foundation for use in subsequent medical application scenarios. With such technology advancement, we are able to process a vast amount of data from diverse sources to continually train our AI model. According to Frost & Sullivan, NLP is one of the key applications of AI in healthcare.

Self-reinforcing capabilities. Our model is constantly self-reinforcing and becomes more intelligent over time through our increasing interactions with doctors and patients, as we provide products and services to an expanding number of healthcare institutions.

Medical knowledge graphs. Medical knowledge graphs represent relationships between entities in a structured form for encoding medical knowledge, such as symptoms, diagnoses, treatments and drug interactions. Leveraging our in-house healthcare experts and collaboration with medical publishers, we have self-developed medical knowledge graphs, the network of real-world objects, concepts and events and their interrelations in the healthcare industry. The medical knowledge graphs store medical logical relationships, aiding intelligent assistance in diagnosis and treatment through reasoning and decision-making. Our medical knowledge graphs include diseases, symptoms, examinations, tests and medications as well as their interconnections and impacts on other factors. Our medical knowledge graphs form the bedrock for our AI technology, enabling it to comprehend and utilize data in a more contextually relevant and significant way akin to human understanding and application of knowledge.

Advanced medical reasoning capabilities. Our proprietary medical reasoning model conducts medical reasoning from the interaction between top-down interpretation of medical knowledge graphs and bottom-up semantic comprehension of clinical information derived from EMRs and examination reports. According to Frost & Sullivan, medical reasoning is an advanced technology of AI application in healthcare. The technology can be applied as assistance in the entire process of diagnosis and treatment, such as intelligent guidance and triage in pre-diagnosis phase, consultation and diagnosis assistance and quality control of EMRs. The advancement and complexity of this technology is reflected in (i) the diversity and depth of application scenarios and (ii) the value provided to address real-life demands.

Self-developed healthcare domain-specific LLM breakthrough. LLM is a type of artificial intelligence algorithm that uses deep learning technologies and a massively large dataset to understand, summarize, generate and predict new content. Within the healthcare sector, LLMs may be classified into types for the biomedical domain and clinical domain, depending on the corpora used for pre-training. Although LLMs have showcased remarkable performance across a range of NLP tasks, their effectiveness in specialized tasks remains constrained. According to Frost & Sullivan, the lack of domain-specific knowledge in general LLMs hinders their ability to interpret technical terms and produce accurate, rational responses when utilized in healthcare for the benefit of patients and practitioners. Moreover, there are significant differences between general corpora and healthcare professional corpora, which further constrain the performance of LLMs in biomedical or clinical settings.

To enhance performance in specific domains by addressing these weaknesses, we have self-developed our domain-specific LLM, Xunfei Spark Medical Model, applicable in more than 300 medical scenarios as of the Latest Practicable Date. Our Xunfei Spark Medical Model has undergone rigorous evaluations and outperformed GPT-4 Turbo in six medical-related NLP tasks as of the same date. These tasks include expert-level medical knowledge graph question answering, clinical language understanding, medical document generation, disease diagnostic and treatment recommendations, multi-round medical dialogue generation and multi-modal interactions, according to the third-party test conducted by the CTTL which is part of the CAICT.

Clinical language understanding. Benefiting from our self-developed clinical language understanding technological module, we are able to analyze and process complex clinical language to conduct key information extraction, chief complaint identification and term normalization for EMR or generate high-quality healthcare content for doctors' review. Clinical language understanding was self-developed by our Group.

Speech recognition. Our speech recognition technology can distinguish between doctors and patients by analyzing the vocal characteristics of their speech, preventing identity confusion. It can also adjust clarity based on background noise to improve sound quality and recognize accents, medical terminology in Chinese, English and dialects, enhancing recognition accuracy. Additionally, our technology leverages deep learning to improve understanding of the relationship between speech and language, reduce recognition errors and adapt to medical scenarios and disease. Furthermore, our speech recognition technology can accurately convert complex and nuanced terminologies and medical dictations used by healthcare experts. In particular, our technology converts terms which normal voice-to-text tools trained on general language lacking the medical knowledge required or omitting the knowledge from certain specific medical domains may fail to deliver.

Multi-round interaction. We are able to optimize the human-computer dialogue with this technological module by guiding users to provide meaningful information and adjusting responses based on users' actual needs. By aligning HCI with real-life scenarios, this module helps to increase the effectiveness and accuracy of relevant dialogues. The multi-round interaction was self-developed by our Group.

Multimodal interaction. We are able to structure and standardize users' clinical manifestations with this technological module, which is capable of interpreting multimodal inputs. Such inputs include medical images, medical texts, electroencephalography signals and electrocardiography signals. The multimodal interaction technological module was self-developed by our Group.

Technology-Fueled Product Development

The abovementioned capabilities, including expert-level clinical language understanding, medical document generation, disease diagnostic and treatment recommendations, multi-round medical dialogue generation and multi-modal interactions, serve as a foundation for our product development. Based on these fundamental capabilities, we then create modular healthcare plug-ins, such as functionalities for suggesting appropriate medication, analysing medical reports, controlling the quality of EMRs, creating patient profiles and labelling medical terms. By integrating these healthcare plug-ins, we develop specific capabilities such as CDSS, medication recommendations and intelligent triage. These are complex applications that bear a considerable resemblance to the mental process of healthcare professionals in making decisions. We have established a healthcare AI capability portal that enables the scheduling, debugging, orchestration and integrated management and operation of these healthcare capabilities and plug-ins. Combining these technologies, capabilities and plug-ins with our industry insight, we develop and launch products and services to address real-world customer demands. In addition, we have developed modules for the monitoring, operation and maintenance of our system to ensure the secure and stable operation of our technology platform. Operation staff can use these modules for quick fixes and annotations, greatly improving operational service efficiency, and system administrators can use these tools for routine inspections and monitoring to promptly identify and address issues.

Development of Xunfei Spark Medical Model

The development of Xunfei Spark Medical Model has undergone the below key steps:

- **Data Governance and Knowledge Enhancement**: Data governance is crucial for the training of Xunfei Spark Medical Model. This involves curating a diverse dataset from multiple sources while ensuring the data is secure and trustworthy.

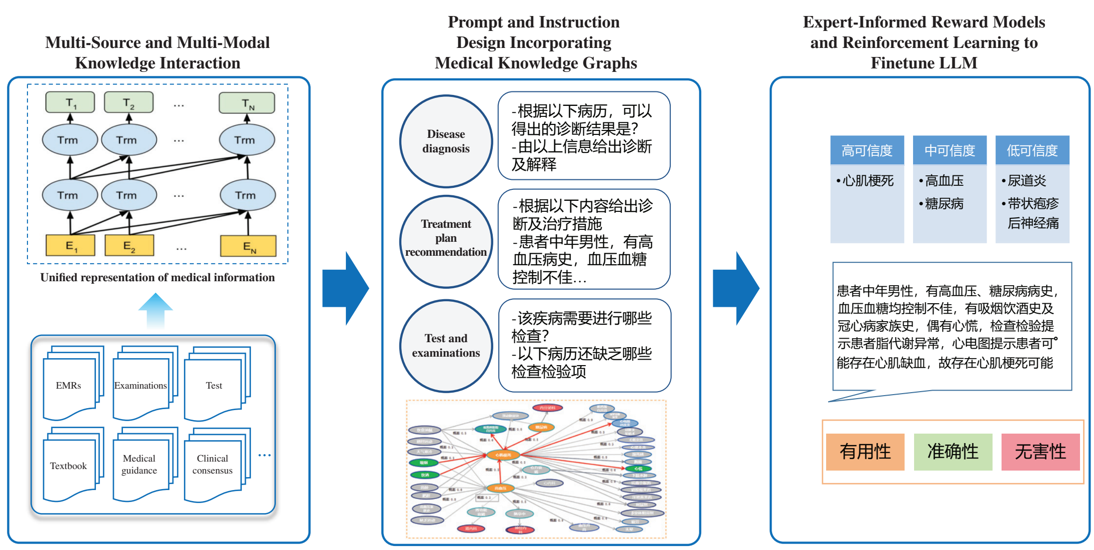
- **Multi-Source and Multi-Modal Knowledge Interaction**: The training of Xunfei Spark Medical Model involves integrating knowledge from various sources and modalities. Therefore, Xunfei Spark Medical Model can learn to understand and generate medical language by finding patterns and relationships within this complex dataset.

- **Incorporation of medical knowledge graphs**: By integrating medical knowledge graphs, Xunfei Spark Medical Model can be prompted with specific instructions tailored to healthcare tasks.

- **Prompt and Instruction Design**: Prompts or instructions are crucial to guide Xunfei Spark Medical Model's outputs to perform specific medical tasks. These prompts are designed based on medical knowledge graphs and the specific requirements of the medical tasks.

- **Expert-Informed Reward Models and Reinforcement Learning**: We have used reward models that incorporate expert medical experience and the unique characteristics of medical data to fine-tune Xunfei Spark Medical Model. We then applied the reinforcement learning techniques, where Xunfei Spark Medical Model is trained to make decisions that maximize notion of cumulative reward. This iterative process helps to refine Xunfei Spark Medical Model's outputs and improve its performance on healthcare tasks.

The below illustration shows the key steps for the development of our Xunfei Spark Medical Model.



Our development of Xunfei Spark Medical Model hinges on our following technology advancements:

- ***Controllable Information Reconstruction and Enhanced Knowledge Mining for Healthcare Plug-ins***: This technology focuses on learning and selecting plug-ins that are tailored medical knowledge collected from diverse sources and is able to locate, summarize and correct healthcare knowledge. Based on this technology, our Xunfei Spark Medical Model enables the generation of conversational responses that integrate context information provided by users and healthcare knowledge learned from medical knowledge graphs. This technology creates a system that can process medical knowledge from various sources, understand the context, and provide accurate information to users.

- ***Multi-Source Information Fusion and Dynamic Self-Learning for Medical Text Interpretation***: This technology enables processing of information from diverse sources to produce more consistent, accurate, and useful information than that provided by any individual source. It also includes interpreting complex medical texts by integrating temporal and spatial features. This technology creates a system that can continuously understand, structure and adapt from medical data from various scenarios without the need to be explicitly programmed after the initial training phase.

- ***Evidence-Based Reasoning and Explainability for Complex Medical Tasks***: This technology conducts knowledge search and task planning for complex medical tasks in a way that mimics human mind. It utilizes LLM's capabilities of semantic parsing to filter and locate medical data from multiple sources. It is also able to integrate coherent logical chains and reasoning steps for personalized medical reasoning and decision-making. The technology provides evidence-based explanations that can be understood by humans for its decisions and recommendations.

- ***Personalized Interaction Based on Expert Feedback Learning and Controllable Generation***: This technology enables dynamic, proactive and personalized interactions based on learning of user profiles for controllable responses. It continuously learns from interactions with users and experts, tailoring its responses to individual needs and preferences while improving over time.

Medical speech recognition abilities. To cater for our own business nature and needs, our R&D employees independently developed our medical speech recognition abilities based on the general technology model of iFlytek Group. We also possess leading dialect recognition capabilities. Specifically, we are one of the few healthcare AI companies with a proprietary automatic noise filter, which excels in identifying varying voice patterns of doctors and patients in noisy diagnostic scenarios, a common occurrence in healthcare service environments. This allows us to overcome challenges such as low speech recognition accuracy due to regional pronunciation differences and subpar amalgamated recognition of medical terminology.

RESEARCH AND DEVELOPMENT

We grow our competitive edges in technology through the three-prong research and development model.

Technology driven. Our technology capabilities drive the growth of our business. With our competitive position in AI and the healthcare industry, we are able to conduct research on the application of advanced AI technologies in the healthcare industry, develop proprietary healthcare AI algorithms to address pain points in medical scenarios and continuously enrich our technology matrix and build modularized applications.

Solution development. With deep insights into the healthcare industry, we are dedicated to strengthening our core capabilities and making the most of reusable components for the further development of our solution matrix. This allows us to develop and deliver high-quality solutions in a swift manner and meet the fundamental needs of our clients together with improving the well-being of end users in the healthcare cycle.

Launch and iteration. Our products and services are easily scalable. By serving an increasing number of PHC institutions, hospitals, patients and other individual customers, as well as regional healthcare administrators, and continuously conducting research on AI technologies, we are able to accurately and swiftly understand the demand of different types of clients. As a result, we can efficiently improve and optimize our technology, as well as update and upgrade our products and services accordingly.

We are committed to investing in research and development to improve our technology, developing new solutions that are complementary to the existing provision and finding ways to better support our customers. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we incurred RMB159.8 million, RMB241.6 million, RMB264.0 million, RMB127.0 million and RMB135.3 million of research and development expenses, respectively, representing 42.9%, 51.2%, 47.5%, 65.3% and 59.0% of our total revenue in the respective same periods.

We conduct in-house research and development activities for core AI technologies and applications, data storage, computation and application capabilities, and reusable components and product development. In parallel, we collaborate with key stakeholders in the healthcare industry, such as medical knowledge publishers for medical knowledge graphs development, hospitals for product application pilot program implementation, universities for joint efforts in frontier technology development, algorithm research, and case study innovation, and health commissions for municipal healthcare system digitalization.

Our In-house Research and Development Efforts

Our in-house R&D team comprises Xunfei Healthcare Research Institute, a technology platform team and R&D teams for our major business lines with more than 400 employees. Our Xunfei Healthcare Research Institute includes an AI algorithm branch, an AI testing branch, and a medical AI branch. Our AI algorithm branch is responsible for the research and development of healthcare AI technologies. Our AI testing branch, formed substantially by employees with backgrounds in AI algorithms, is responsible for testing the quality and performance of our solutions and services. Our medical AI branch, formed substantially by employees with medical backgrounds, is responsible for developing medical know-how, labeling data resources and product design to ensure that our products are suitable for clinical practices. Our technology platform team is primarily responsible for updating and developing shared technology platforms for big data, outbound calling and AI capabilities. It also oversees quality control, system maintenance and compliance matters throughout the research, development and launch of our products and services.

Our R&D talents cooperate closely primarily via both the bottom-up product-pulling approach and the top-down technology-pushing approach. Under the bottom-up product-pulling approach, our R&D teams at major business lines propose market solutions strategies based on insights accumulated from communications with our major clients to address unmet needs. In response, our Xunfei Healthcare Research Institute and technology platform team devise deployment of technologies and their applications. Under the technology-pushing approach, our Xunfei Healthcare Research Institute conducts research activities along with technology advancement in the healthcare AI industry, thereby promoting the continuous innovation and development of new products and services.

Our R&D efforts start with identifying the technology development needs for underlying products and services. Subsequently, our Xunfei Healthcare Research Institute specifies the research targets and performance specifications, launches research plans with milestone targets and conducts research activities. Upon the completion of a research project, we start project review and compose the plan for further application, promotion and iteration of corresponding products and services. Throughout the full development cycle of our products and services, our R&D team engages in regular meetings to keep the relevant information and progress in research projects in sync, in relation to the business needs from our potential clients and the overall market.

As of June 30, 2024, 19.8% of our R&D team members held a master's degree or above; and 93.5% of our R&D team members held a bachelor's degree.

Collaboration with Key Stakeholders in the Healthcare Industry

We have formed strategic partnerships with numerous key stakeholders in the healthcare industry, including medical knowledge publishers, hospitals and institutions, health commissions and universities. In addition, by providing AI healthcare products and services to key stakeholders in the healthcare industry, we are able to deepen our industry insights and validate the use case. For example, we work with health commissions to build municipal-level healthcare systems that are more efficient. Furthermore, leveraging our industry insights, we also help health commissions promote the research, development and application of AI technologies in continuing medical education. Our health commission partners include the National Health Commission Capacity Building and Continuing Education Center (國家衛生健康委員會(能力建設和繼續教育中心)), the Health Commission of Ningxia Hui Autonomous Region (寧夏回族自治區衛生健康委員會) and the Health Commission of Jiangxi Province (江西省衛生健康委員會).

Collaboration with Medical Knowledge Publishers

We have forged collaborations with reputable medical knowledge publishers to establish our medical knowledge graphs. Our medical knowledge publisher partners include the Chinese Medical Association Publishing House (中華醫學會雜誌社有限公司) and Science and Technology Documentation Press (科學技術文獻出版社).

Collaboration with Hospitals

We have collaborated with more than 40 of the Top 100 public hospitals in the PRC to explore the implementation of our Hospital Services. Such collaboration allows us to gain industry insights from real-life scenarios to keep upgrading and optimizing our technologies and offerings. Based on such collaboration, we have expanded our specialty medical capability coverage into areas such as mental health and pan-vascular diseases, and optimized our modules and functions for their implementation at a large scale. Our hospital partners include Peking Union Medical College Hospital (北京協和醫院), West China Hospital of Sichuan University (四川大學華西醫院), Tongji Hospital of Tongji Medical College of HUST (華中科

技大學同濟醫學院附屬同濟醫院), Zhongshan Hospital (復旦大學附屬中山醫院) and the First Affiliated Hospital of University of Science and Technology of China (Anhui Provincial Hospital) (中國科學技術大學附屬第一醫院(安徽省立醫院)). Specifically, we have partnered with the First Affiliated Hospital of University of Science and Technology of China (Anhui Provincial Hospital) to build the first smart hospital in the PRC in August 2017.

Collaboration with Universities

We collaborate with top universities such as Tsinghua University to conduct frontier technology development, algorithm research and innovation on AI use cases across the healthcare sector. Specifically, we have formed the Tsinghua-Xunfei Joint Research Center with Tsinghua University and jointly developed the robot underlying our General Practice CDSS.

As of June 30, 2024, we have participated in ten national and prefectural-level research programs. Relevant R&D areas include: (i) cross-modal medical analysis and reasoning system development; (ii) self-learning model development for general practice diagnosis; (iii) development of the industry standards setting the rules for the use of LLMs in China's healthcare sector, for proactive health management and technological initiatives in response to the aging population issue; (iv) development in data interoperability and data privacy technologies in relation to the regional healthcare systems and triage; and (v) R&D and application of NLP technologies for AI-empowered CDSS.

Set out below are the salient terms of the agreement we have entered with R&D partners.

Terms. Two to five years and subject to renewal.

Rights and obligations. For collaboration with universities and hospitals, we and our R&D partners are required to undertake respective research and development tasks. For collaboration with medical knowledge publishers, we have the right to use the medical knowledge data provided by medical knowledge publishers. The medical knowledge publishers are required to provide the medical knowledge data.

Research fund allocation. Our collaboration with universities and hospitals are usually backed by relevant research funds for the costs and expenses of relevant R&D activities, which usually include (i) funds sponsored by official research programs and/or (ii) funds contributed by our R&D partners and us. Our collaboration agreements usually stipulate the contribution to and the allocation of research funds, and our R&D partners and us contribute to and are entitled to the allocated portion of funds accordingly.

Revenue allocation. Not applicable.

Payment. For collaboration with medical knowledge publishers, the medical knowledge publishers are generally entitled to license fees for our use of the databases.

Intellectual property. For collaboration with universities and hospitals, the intellectual property rights obtained by each party prior to the application for the project shall remain the property of the respective party. Intellectual property rights generated from the work independently completed are within the scope of each party's responsibilities. The intellectual property resulting from work jointly completed shall be jointly owned by the parties. For collaboration with medical knowledge publishers, we own all intellectual property rights in our products embedded with relevant medical knowledge data except for the relevant medical knowledge data and retain the right to allow others to use such products.

Termination. The agreement can be terminated upon expiration or by notice.

DATA PRIVACY AND PROTECTION

We are currently operating all of our business in the PRC. As of the Latest Practicable Date, we had designed strict data protection policies to ensure that the collection, use, storage, transmission and dissemination of data are in compliance with applicable laws, regulations and prevalent industry practice. During the Track Record Period and as of the Latest Practicable Date, we were in compliance in all material respects with all applicable PRC laws and regulations with respect to data privacy and protection.

Data Privacy

For our offerings directly provided to individual users, we collect healthcare data, including, but not limited to, health consultation queries raised by users, files uploaded by users such as physical examination reports, users' hearing test information, blood pressure and blood sugar levels and history of diseases such as hypertension. Such healthcare data is used to provide users with services such as health consultation, hearing tests, health management and disease risk screening. We also collect other personal data, such as user name, cell phone number and activity log, on a need-to-know basis necessary for the provision of our services and such data is stored on our systems.

Our services to organizational customers, including PHC institutions, hospitals and healthcare administrators, allow these customers to collect data for the delivery of their services. In the majority of cases, data collected by these organizational customers is saved on their own systems or their designated systems. In instances where such customers lack the requisite systems for data storage, we offer the option for them to store data on our systems. As of June 30, 2024, more than 90% of the data collected by organizational customers was saved on their own systems or their designated systems while less than 10% was saved on our system. The data collected by organizational customers is primarily transferred and stored within our system through two ways: (1) personnel from organizational customers log into our system and input data directly, which is then stored within our system; and (2) data in the organizational customers' systems is transmitted via API and stored within our system. User data collected and generated in the course of our business operations in mainland China is only stored in mainland China, and our daily business operations do not involve any cross-border transmission of identified core data, important data or large amounts of personal information.

Data Protection

We have developed an extensive internal governance framework dedicated to data privacy and protection, encompassing a suite of management regimes that include but are not limited to *Data Security Management Measures*, *Personal Information Lifecycle Management Measures*, *Personal Information Breaches Incident Management Measures*, and Data Destruction Management *Measures*. Furthermore, we have enacted following a range of internal safeguards to protect the privacy and security of user data:

(i) we employ a variety of security measures for the user data collected and retained on our systems, such as categorization, hierarchical classification, encryption, and secure backup protocols throughout the data storage phase to maintain data integrity and security;

(ii) the user data collected during our daily business operations within the PRC are retained within the PRC;

(iii) we established an Information Security Management Committee, along with a dedicated Information Security Management Team, to manage and supervise activities related to network and data security, as well as personal information protection, and to promote the enforcement of our internal policies, regimes and measures;

(iv) access controls have been rigorously applied to ensure that our personnel access personal information retained on our systems strictly on a need-to-know basis, in line with the 'least privilege' principle. This ensures that our employees are only able to interact with the minimum amount of information on our systems which is necessary to perform their tasks; and

(v) we are committed to the continuous education and training of our employees to raise awareness and foster a culture of information security protection within our organisation.

Regulatory Applicability and Compliance

On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which, the purchase of network products and services by a critical information infrastructure operator (the "CIIO") or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review.

As of the Latest Practicable Date, we had not been notified by any PRC government authorities of being classified as a CIIO. In addition, on January 9, 2024, the Joint Sponsors, our PRC Legal Advisors and the Joint Sponsors' PRC Legal Advisor made a telephone consultation on a named basis with the China Cybersecurity Review Certification and Market Regulation Big Data Center (the "CCRC"), which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines. The CCRC confirmed that the term "listing in a foreign country" (國外上市) under the revised Cybersecurity Review Measures does not apply to listings in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed listing in Hong Kong.

Data Protection in Relation to Machine Learning Algorithms and Models

Our sources of data used to train our AI models mainly include medical knowledge pertinent to our business, collaborations with external partners, and publicly available data on the Internet. The medical knowledge pertinent to our business is derived from sources such as knowledge graphs summarized by our personnel, guideline documents and case reports. Case reports are derived from academic journals as well as other authoritative reports and cases. These case reports do not contain personally identifiable information. We have implemented a series of measures to ensure that the data used for training are in compliance of applicable laws and regulations. We adhere to the principle of minimal necessity, limiting the type and amount of data collected to a reasonable extent while considering the requirements of laws and regulations. During the Track Record Period and up to the Latest Practicable Date, the usage of such information for model training is in compliance with relevant PRC laws and regulations with respect to data privacy and protection in all material aspects.

Data Protection in Relation to Products and Services Offering

In most cases, the healthcare data and patient data under our products and services provided for PHC institutions, hospitals and health commissions are possessed by relevant customers or users and stored on their own systems or their designated systems, and only in the minority of cases where such healthcare data and patient data are stored on our systems. Under either circumstance, we may only access limited data for providing necessary services (such as maintenance, troubleshooting and outbound calling) according to the instruction of relevant organizational customers. We do not use healthcare data and patient data collected under our products and services for training our machine learning algorithms and models.

We strictly limit the scope of personal information we receive. We normally do not have access to any personal information of individual patients collected by our organizational customers. We adopt various measures to ensure the security of the personal information collected and retained on our systems such as de-identification or encryption. We have also implemented internal policies to ensure that data access authorization aligns with an employee's seniority and departmental function. This ensures that such information retained on our systems can only be accessed and retrieved on need-basis. As of the Latest Practicable

Date, we did not experience any material information leakage or loss of our user data. We do not sell, or otherwise illegally share or provide, any personal information we receive while providing our solutions to any third party, nor do we use such information to train models.

Internal Control in Relation to Data Protection

Our data privacy and protection measures are an integral part of our internal control system. We have adopted a comprehensive data privacy and protection policy, according to which, (i) we shall collect personal information and data from users only with their prior informed consent and make reasonable efforts to use, disclose and request only the minimum amount of information required for the intended purposes in relation to the products and services that we provide; (ii) users must acknowledge the terms and conditions of the user agreement and the privacy policy before accessing our products and services, if personal data processing is required under which they consent to our collection, use and disclosure of their data in compliance with applicable laws and regulations, and we shall only use the data of our users should we have their prior informed consent; (iii) when transmitting and storing sensitive personal information, security measures such as encryption should be used to ensure the security of personal information; (iv) we shall not sell, share or otherwise provide any personal information to any third party except under legal requirement; and (v) we shall implement relevant and appropriate internal procedures and controls to ensure that user data is protected and that leakage and loss of such data can be avoided. Furthermore, we have obtained record filing certificates for the graded protection of information system (信息系統安全等級保護備案證明) for our all major business systems. In addition, one of our major business systems, operated by one of our subsidiaries, Anhui Imaging Union, which holds a value-added telecommunication business operation license, has obtained the record-filing certificate for the communication network security protection (通信網絡安全防護定級備案證明).

Our internal control consultant has performed a general internal control review, which covered the cycle of information system general control, including but not limited to the policies and procedures relating to data privacy and protection. Our internal control consultant has also provided us with certain recommendations to enhance our internal control measures and performed a follow-up review. No material internal control deficiencies were noted in design level based on the work performed in relation to the effectiveness of the enhanced internal controls, including data privacy and protection.

PRICING AND PAYMENT

We price our products and solutions based on a combination of factors including market demand, relevant cost, technology advancements, brand reputation and customer service.

PHC Services. We charge project implementation fees and maintenance fees for our PHC Services. For PHC institutions already equipped with hospital information systems, our PHC Services functioning as the stand-alone software are packaged as a plug-in solution. For PHC institutions not equipped with hospital information systems, we provide a "hospital information system" version with our self-developed hospital information system incorporated and charge a higher fee.

Regional Healthcare Solutions. For our Regional Healthcare Administrator Services, we charge project implementation fees, maintenance fees and operation fees (for products with outbound calling services). For Medical Insurance Administrative Solutions, we charge project implementation fees for those provided to regional medical security bureaus, and service fees for those provided to hospitals.

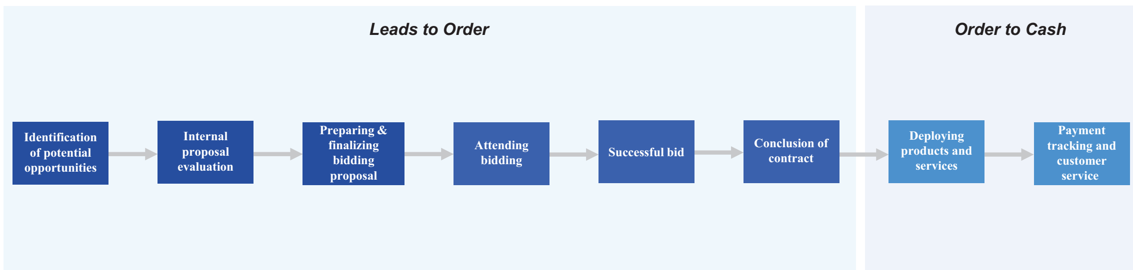
Hospital Services. We charge project implementation fees for our Hospital Services and service fees for clients who require subsequent services.

Patient Services. We charge (i) service fees on medical image results when medical image results are uploaded to our platform for data sharing and (ii) consultation fees for remote consultation services as a percentage of the total amount of fees paid for such remote consultation services. For medical devices, we provide suggested retail prices. Patients are able to directly purchase patient service packages for specialty diseases on our Post-Discharge Management Platform.

See "— Our Business Model" for details of pricing basis for different types of products offerings.

SALES AND MARKETING

We have formed sales strategies specific to different types of clients, including regional healthcare administrators, hospitals and individuals. We rely on our experienced sales team to conduct effective market analysis on client needs and provide tailored solutions for diverse types of clients, including PHC institutions and hospitals, patients and other individual customers, as well as regional healthcare administrators. In addition, our market solution team is responsible for proposing project implementation plans and assisting clients with the groundwork. It plays an important role in our success in expanding our customer base. For our regional healthcare administrator clients, we aim to maintain good client relationships through our understanding of the healthcare AI industry and client needs. For our hospital clients, in designing our solutions and services, we take into consideration hospital needs to enhance hospital capabilities, including EMR integration, service provision and hospital management capabilities. For our individual customers, we strategically leverage our offerings for PHC institutions and hospitals to extend our reach. For example, patients can use our Post-Discharge Management Platform Tools to connect with doctors. For Medical Device, we primarily sell to individual customers via e-commerce platforms, namely JD.com and Tmall, and also reach individual customers leveraging iFlytek Group's broad offline coverage. See "Relationship with Our Controlling Shareholder — Our Relationship with iFlytek Group — Delineation of Business" for details. We also started to reach individual customers via other third-party offline retailers since May 2024. The following diagram sets forth the typical sales cycle of our products and services:



As of December 31, 2021, 2022, 2023 and June 30, 2023 and 2024, our PHC Services offerings covered more than 30,000, 44,000, 52,000, 45,000 and 58,100 PHC institutions in 278, 360, 430, 394 and 604 districts and counties affiliated with 63, 90, 112, 97 and 121 cities, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had offered Hospital Services to 121, 154, 221 and 247 Class III hospitals and 15, 31, 41 and 46 Class II hospitals in the PRC, respectively. As of the Latest Practicable Date, our Medical Device, hearing aids, had more than 111,000 registered users.

During the Track Record Period, all of our revenue was derived from sales in China.

Marketing

We grow market awareness of our bands and the user base of our products and services primarily through a combination of in-person and online events and content marketing.

We have participated in various in-person and online events such as healthcare industry forums, including the 2023 World Artificial Intelligence Conference: Health Summit (世界人工智能大會健康高峰論壇), the 2023 (17th) China Health Information Technology/Healthcare Big Data Application Exchange Conference and Healthcare Products Exhibition (2023(17th)中國衛生信息技術/健康醫療大數據應用交流大會) and the 2022 China Hospital Information Network Conference (2022中華醫院信息網絡大會). At such events, we are able to introduce technology breakthroughs and industry updates, showcase potential opportunities for technological innovations and deepen industry connection of our brands.

We have also conducted content marketing on social media platforms to introduce customer stories, such as how our solutions and services have empowered doctors and other medical staff at hospitals or PHC institutions. Such content has enhanced awareness of our brand and built an emotional connection with the public.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our selling expenses amounted to RMB90.7 million, RMB159.9 million, RMB163.1 million, RMB68.7 million and RMB87.5 million, respectively.

CUSTOMER SERVICE

We are committed to continuously enhancing our customers' satisfaction by delivering high-quality customer services. Our operation and maintenance system has been awarded the certificate of information technology support services-3 (ITTS3). This recognition attests to the effectiveness, efficiency and comprehensiveness of IT support services in terms of technology, personnel and resources. We typically offer the following customer services depending on the different types of solutions.

Training. We usually provide training after project implementation to help users, including staff at health commissions and doctors at PHC institutions, to become familiar with the functions and operations of our solutions and services.

Technical Support. We have established internal procedures to ensure the promptness of our response based on the emergency level of the issue reported. We offer 7×24 remote technical support via various channels, including hotlines, emails and instant messaging tools. For standard operational issues, which account for 90% of assistance requests we receive, we usually provide same-day answers and solutions in a timely manner. For system-related or emergency technical issues, we may provide prompt on-site maintenance services. During the warranty period, all technical support is offered free of charge. After the warranty period, we typically enter into additional maintenance agreements to provide technical support for maintenance and service fees. See "— Pricing and Payment."

Update and Upgrade. As we constantly update and upgrade our solutions and services, we provide software version updates and medical knowledge graph upgrades.

Product Return. For our software solutions and services, we offer full refunds for products and services if constant technical issues occur. During the Track Record Period, we did not receive any product return request.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any claims relating to medical liabilities.

SOURCING AND PROCUREMENT

During the Track Record Period, we sourced products from hardware suppliers, software suppliers and service suppliers. See "— Suppliers." We primarily purchase services, software, servers and hardware. We select our suppliers by considering their product quality, after-sale services, delivery speed and customer service responsiveness, among other factors.

We typically enter into standard procurement agreements with our suppliers. The salient terms of standard procurement agreements are set out below:

- *Quality control*. We are entitled to conduct inspections of the delivered goods.

- *Warranty*. Our suppliers are typically responsible for after-sale services during the warranty period. During the warranty period, our suppliers are responsible for (i) technical support, software updates and hardware warranty; (ii) maintenance and replacement in case of product quality issues; and (iii) preparation of spare parts for easily damaged components.

- *Intellectual property*. Our suppliers are responsible for ensuring that products provided do not infringe the intellectual properties of any third party. If any dispute or claim for damages arises, our suppliers are responsible for assuming the liability for our losses.

- *Confidentiality*. Our suppliers are required to treat all of our information as confidential during the valid term of the procurement agreement and for another five years after termination of the procurement agreement.

- *Payment*. We typically settle fees to suppliers within the credit period granted to us after quality control pass and receipt of goods.

- *Penalty*. We typically set penalty terms for breach of procurement agreements such as non-performance of delivery and after-sale services.

- *Termination*. We are entitled to terminate the procurement agreement for non-rectifiable product quality issues and breach of procurement agreements.

We have maintained stable business relationships with our major suppliers. During the Track Record Period, we did not experience any material disputes with our suppliers, difficulties in the procurement of supplies, interruptions in our operations due to a shortage or delay of supplies or significant fluctuations in their prices. We believe that we would be able to find alternative suppliers if required, given the relatively homogeneous nature of our supplies, procurement capabilities and relatively large supplier base in the market.

QUALITY CONTROL AND SAFETY

Our quality control team is dedicated to the establishment, implementation and maintenance of our quality control system. We have also established an internal management system to cover research and development processes, from the communication around product needs to project launch under continuous data-driven management, and to process improvement and optimization. In addition, we apply strict selection standards for our suppliers to ensure the quality and safety of the solutions and services that we render. See "— Suppliers."

CUSTOMERS AND PROJECTS

We have a broad and diverse customer base primarily including regional healthcare administrators, hospitals as well as patients and other individual customers (including those who purchase our medical devices), which has expanded during the Track Record Period. We generate revenue from project implementation and continual provision of products and services.

Customers

The following table sets forth a breakdown of the number of customers with whom we signed contracts to implement projects by business line for the periods indicated. Each customer purchasing from multiple business lines is counted only once under the business line which the largest part of the respective contract sum is attributed to, and there are no overlapping customers across business lines.

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	Number of Customers			
PHC Services	75	70	94	66
Hospital Services	40	58	84	35
Patient Services	9	35	52	20
Regional Healthcare Solutions	4	9	16	16
Total	**128**	**172**	**246**	**137**

The table below sets forth the average duration of our projects indicated in the contracts signed in the periods indicated, including the project implementation phase and the warranty period by business segment for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	(Month)[1]											
	Project implementation phase	*Warranty period*	*Total*	*Project implementation phase*	*Warranty period*	*Total*	*Project implementation phase*	*Warranty period*	*Total*	*Project implementation phase*	*Warranty period*	*Total*
PHC Services	3.0	26.0	29.0	3.6	16.7	20.3	3.9	17.7	21.6	4.0	19.5	23.6
Hospital Services	9.1	38.8	47.9	8.1	23.0	31.1	7.2	22.6	29.8	7.7	29.8	37.5
Patient Services	3.4	23.7	27.1	4.5	24.9	29.4	3.8	25.4	29.2	4.3	25.7	30.0
Regional Healthcare Solutions	3.2	46.2	49.4	6.9	39.4	46.3	6.0	27.4	33.4	5.5	19.8	25.3

Note:

(1) Calculated based on the assumption that one month contains 30 days.

We typically enter into a standard sales agreement with our customers. The salient terms of our standard sales agreement are set forth below.

- *Delivery*. We are typically required to deliver our system within a predetermined period from the date of the sales agreement.

- *Transportation*. We are typically responsible for the transportation of our system.

- *Review and Acceptance*. Our customers are typically entitled to conduct acceptance test of our system.

- *Payment*. We are entitled to full payment of the pre-determined price upon successful review and acceptance or in installments upon predetermined milestones. See "— Pricing and Payment."

- *Quality Deposit.* After successful review and acceptance and up until the end of the warranty period, we usually provide a quality deposit in the amount of a percentage of the contract price, which is returned after a pre-determined period of time upon the end of the warranty period.

- *Performance Bond/Performance Letter of Guarantee (for our PHC Services and Regional Healthcare Solutions).* We usually provide a performance bond or performance letter of guarantee in the amount of a percentage of the contract price, which is returned after a pre-determined period of time upon successful review and acceptance.

Some of our customers select suppliers through bidding. During the Track Record Period, we participated in such bidding processes independently or collaborated with our business partners in such processes. In 2021, 2022, 2023 and June 30, 2024, we submitted 57, 99, 157 and 76 tenders, respectively, among which 47, 86, 138 and 64 tenders were awarded to us, respectively, representing a tender success rate of approximately 83%, 87%, 88% and 84%, respectively.

In addition, our customers also include intermediaries engaged by certain of our end users, who are primarily regional healthcare administrators and hospitals. We generally enter into contracts with such intermediaries which specify our direct delivery obligations to the end users. When we enter into a contract with such intermediaries, we recognize them as our customer. According to Frost & Sullivan, it is industry practice for the end user to engage intermediaries which provide different types of assistance in project implementation, such as advising on selecting suppliers, managing construction and integrating the work products if different services are selected, and the decisions as to which supplier to choose are primarily made by end users.

We do not believe our relationship with such intermediaries is one of distributorship. As stated above, the decisions as to which supplier to choose are primarily made by the end users, and intermediaries are selected by our end users to implement their projects. Regardless of whether our contracts were entered into directly with our end users or with such intermediaries, we generally directly deliver our products and services to the end users, and there is no material disparity in contract terms and the scope of our services. As such, we do not believe intermediaries to be our distributors, and do not believe their involvement as our direct customers raises any concern in relation to inventory risk, cannibalization or recoverability of accounts receivables.

In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue generated from our five largest customers in each year/period accounted for 56.4%, 50.3%, 34.4% and 35.9%, respectively, of our revenue during those periods.

The table below sets forth the details of our top five customers during the Track Record Period:

For the year ended December 31, 2021

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
iFlytek Group	91,749	24.6	IT company	Research on speech technology and AI technology	General Practice CDSS, Smart Hospital Solutions, Medical Insurance Administrative Solutions, Post-Discharge Management Platform, Chronic Disease Management Tools	2016	bank transfer	30 days	Hefei, Anhui
Customer A	32,082	8.6	Government department	Healthcare administration in a district in Henan Province	General Practice CDSS, Smart Hospital Solutions, Medical Device, Chronic Disease Management Tools	2021	bank transfer	15 days	Zhengzhou, Henan

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
Customer B	30,440	8.2	Mobile network operator	Basic telecommunication services, value-added telecommunication services and internet audio-video program services, mobile television distribution services and IPTV transmission services, among others	Post-Discharge Management Platform, Chronic Disease Management Tools, Smart Hospital Solutions, Regional Healthcare Administrator Services, General Practice CDSS	2021	bank transfer	15 days	Beijing
Customer C	29,854	8.0	Government department	Healthcare administration in a city in Anhui Province	Regional Healthcare Administrator Services	2021	bank transfer	30 days	Hefei, Anhui
Customer D	25,798	6.9	Government department	Healthcare administration in a county in the Xinjiang Uygur Autonomous Region	Smart Hospital Solutions, General Practice CDSS, Medical Device	2020	bank transfer	30 days	Xinjiang Uygur Autonomous Region
Subtotal	**209,923**	**56.4**							
Total revenue for the year	**372,452**								

For the year ended December 31, 2022

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
Customer E	80,431	17.0	IT Company	Information system integration services, Internet data services, Internet information services, among others	General Practice CDSS, Regional Healthcare Administrator Services, Chronic Disease Management Tools, Smart Hospital Solutions	2022	bank transfer	60 days	Baoding, Hebei
Customer F	53,074	11.2	Government department	Healthcare administration in a city in Yunnan Province	General Practice CDSS, Regional Healthcare Administrator Services, Medical Insurance Administrative Solutions, Chronic Disease Management Tools	2022	bank transfer	30 days	Pu'er, Yunnan
Customer H	47,161	10.0	Government department	Healthcare administration in Gansu Province	Chronic Disease Management Tools, General Practice CDSS	2022	bank transfer	10 days	Lanzhou, Gansu

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
Customer G	35,195	7.5	Government department	Healthcare administration in Hubei Province	General Practice CDSS, Regional Healthcare Administrator Services, Chronic Disease Management Tools, Smart Hospital Solutions	2020	bank transfer	30 days	Wuhan, Hubei
Customer I	21,560	4.6	Government department	A university in Anhui Province	General Practice CDSS, Regional Healthcare Administrator Services, Smart Hospital Solutions	2022	bank transfer	15 days	Bengbu, Anhui
Subtotal	**237,421**	**50.3**							
Total revenue for the year	**471,860**								

For the year ended December 31, 2023

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
Customer J	63,653	11.4	Government department	Healthcare administration in a city in Shanxi Province	General Practice CDSS	2023	bank transfer	30 days	Lvliang, Shanxi
iFlytek Group	61,628	11.1	IT company	Information system integration services, Internet data services, Internet information services, among others	General Practice CDSS, Chronic Disease Management Tools, Regional Healthcare Administrator Services, Medical Insurance Administrative Solutions, Smart Hospital Solutions, Intelligent Assistant, Post-Discharge Management Platform, Post-discharge Management Platform, Medical Device	2016	bank transfer	30 days	Hefei, Anhui
Customer K	25,261	4.5	Government department	Public health services under the Health Commission in a city in Anhui Province	Regional Healthcare Administrator Services	2022	bank transfer	30 days	Wuhu, Anhui

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
Customer F	20,898	3.8	Government department	Healthcare administration in a city in Yunnan Province	Regional Healthcare Administrator Services. Medical Insurance Administrative Solutions	2022	bank transfer	30 days	Pu'er, Yunnan
Customer L	19,932	3.6	State-owned enterprises	Information technology consulting services, big data services, digital technology services, information system integration services, among others	Medical Insurance Administrative Solutions	2023	bank transfer	30 days	Lvliang, Shanxi
Subtotal	**191,372**	**34.4**							
Total revenue for the year	**556,125**								

For the six months ended June 30, 2024

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
Customer M	28,709	12.5	State-owned enterprises	Software R&D, Internet technology services, information technology consulting services, among others	General Practice CDSS, Chronic Disease Management Tools, Regional Healthcare Administrator Services, Smart Hospital Solutions	2023	bank transfer	30 days	Changsha, Hunan
Customer O	18,521	8.1	Mobile network operator	Basic telecommunication services and value-added telecommunication services, among others	General Practice CDSS, Chronic Disease Management Tools, Regional Healthcare Administrator Services, Smart Hospital Solutions	2020	bank transfer	30 days	Beijing
Customer N	15,427	6.7	Public hospital	Medical treatment, teaching, scientific research, prevention, health care, rehabilitation, first aid	Smart Hospital Solutions	2020	bank transfer	30 days	Hefei, Anhui
Customer P	11,219	4.9	Construction company	Building intelligent system design, building intelligent engineering construction, various engineering construction activities, among others	Smart Hospital Solutions, Post-Discharge Management Platform	2021	bank transfer	30 days	Shenyang, Liaoning

Customers	Amount of revenue generated	% of total revenue	Customer Background	Principal business	Key products/ services provided	Year of Commencing Business Relationship	Typical method of settlement	Credit period granted to the customer	Location of business
	(RMB'000)								
iFlytek Group	8,293	3.6	IT company	Research on speech technology and AI technology	General Practice CDSS, Chronic Disease Management Tools, Regional Healthcare Administrator Services, Smart Hospital Solutions, Post-Discharge Management Platform, Medical Device	2016	bank transfer	30 days	Hefei, Anhui
Subtotal	**82,169**	**35.8**							
Total revenue for the period	**229,205**								

Except for iFlytek Group, none of our Directors and, to the knowledge of our Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital has any interests in any of our five largest customers in each year/period during the Track Record Period and as of the Latest Practicable Date. For details of iFlytek's shareholding status, see "History, Development and Corporate Structure."

Overlapping of Customers and Suppliers

During the Track Record Period, iFlytek Group was one of our top five customers as well as one of our top five suppliers. See "Financial Information — Material Related Party Transactions." In 2021, 2022, 2023 and six months ended June 30, 2024, our revenue generated from iFlytek Group amounted to RMB91.7 million, RMB15.1 million, RMB61.6 million and RMB8.3 million, accounting for 24.6%, 3.2%, 11.1% and 3.6% of our total revenue during the same periods, respectively, and our purchase from iFlytek Group amounted to RMB83.1 million, RMB77.8 million, RMB85.4 million and RMB52.9 million, accounting for 27.9%, 21.8%, 18.1% and 20.2% of our total purchase during the same periods, respectively.

During the Track Record Period, one of our top five customers in 2021, Customer B, was also one of our suppliers and among our top five suppliers in 2022. During the Track Record Period, we primarily provided Customer B with our PHC Services, Hospital Services and Regional Healthcare Solutions as well as purchased communication services, namely calling and text services primarily for our outbounding calling service modules, from it. In 2021, 2022, 2023 and the six months ended June 30, 2024, our revenue generated from Customer B amounted to RMB30.4 million, RMB0.2 million, nil and RMB0.8 million, accounting for 8.2%, 0.04%, nil and 0.4% of our total revenue during the same periods, respectively, and our purchase from Customer B amounted to RMB3.1 million, RMB12.4 million, RMB13.9 million and RMB2.8 million, accounting for 1.0%, 3.5%, 3.0% and 1.1% of our total purchase during the same periods, respectively.

During the Track Record Period, one of our top five customers in 2021, Customer O, was also one of our suppliers and among our top five suppliers in the six months ended June 30, 2024. During the Track Record Period, we primarily provided Customer O with our PHC Services, Hospital Services and Regional Healthcare Solutions as well as purchased communication services, namely calling and text services primarily for our outbounding calling service modules, from this customer/supplier. In 2021, 2022, 2023 and the six months ended June 30, 2024, our revenue generated from Customer O amounted to RMB3.8 million, RMB2.2 million, RMB5.1 and RMB18.5 million, accounting for 1.0%, 0.5%, 0.9% and 8.1% of our total revenue during the same periods, respectively, and our purchase from Customer O amounted to RMB2.2 million, RMB2.4 million, RMB12.9 million and RMB8.4 million, accounting for 0.7%, 0.7%, 2.7% and 3.2% of our total purchase during the same periods, respectively.

Negotiations of the terms of sales to the companies mentioned above and purchases from them were conducted separately, and the sales and purchases were neither connected nor conditional upon each other. Our Directors are of the view that such arrangements are mutually beneficial, given that we negotiated with such company on an arm's-length basis. In addition, the terms of transactions with the company mentioned above are in line with market practice and similar to those with our other customers and suppliers.

As of June 30, 2024, we had carried over 263 projects, with 172 projects expected to expire in 2024 and 91 projects expected to expire thereafter.

The following tables set forth the details of our top five projects by status (i.e. completed, ongoing and in the pipeline) in each year/period during the Track Record Period, in terms of contract sum:

Top Five Projects in Terms of Revenue Recognized during the Track Record Period

2021

Completed[(1)] in 2021

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project A Phase II	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	29.5	August 18, 2021	December 22, 2021	27.1	7.3
2	Project B	General practice CDSS	34.5	December 31, 2020	June 29, 2021	26.1	7.0
3	Project C	General practice CDSS and smart hospital solutions	28.9	July 7, 2020	June 24, 2021	25.7	6.9
4	Project D	General practice CDSS	24.6	December 30, 2020	September 28, 2021	21.8	5.8
5	Project E	General practice CDSS and smart hospital solutions	20.0	December 14, 2020	June 15, 2021	13.6	3.7

Ongoing[2] *as of December 31, 2021*

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project F	Smart hospital solutions, regional healthcare administrator services, general practice CDSS and chronic disease management tools	40.6	January 25, 2021	December 1, 2023	32.1	8.6
2	Project G	Regional healthcare administrator services	35.5	November 24, 2021	September 20, 2022	29.9	8.0

Pipeline projects[3] as of December 31, 2021

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project H	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	37.5	June 21, 2021	March 30, 2022	–	–
2	Project I	Regional healthcare administrator services and smart hospital solutions	11.9	December 15, 2021	November 30, 2022	–	–
3	Project J	General practice CDSS	3.9	December 4, 2020	October 19, 2022	–	–
4	Project K	General practice CDSS	3.9	December 4, 2020	June 27, 2022	–	–
5	Project L	General practice CDSS	3.9	December 8, 2020	October 21, 2022	–	–

2022

Completed[1] in 2022

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project M	Chronic disease management tools and General practice CDSS	58.9	May 30, 2022	November 16, 2022	47.2	10.0
2	Project H	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	37.5	June 21, 2021	March 30, 2022	35.2	7.5
3	Project G	Regional healthcare administrator services	35.5	November 24, 2021	September 20, 2022	4.6	1.0
4	Project N	Smart hospital solutions, post-discharge management tools and chronic disease management tools	14.5	January 27, 2022	November 17, 2022	12.8	2.7
5	Project I	Chronic disease management tools, regional healthcare administrator services and smart hospital solutions	11.9	December 15, 2021	November 30, 2022	10.5	2.2

Ongoing[(2)] as of December 31, 2022

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	(Expected) Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project O	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	105.7	June 27, 2022	October 18, 2023	80.4	17.0
2	Project P	General practice CDSS, regional healthcare administrator services, chronic disease management tools and medical insurance administrative solutions	97.0	September 29, 2022	December 20, 2024	53.1	11.2
3	Project F	Smart hospital solutions, regional healthcare administrator services, general practice CDSS, chronic disease management tools	40.6	January 25, 2021	December 1, 2023	0.6	0.1

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	(Expected) Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
4	Project Q	General practice CDSS, chronic disease management tools and regional healthcare administrator services	38.0	November 16, 2022	October 10, 2023	20.4	4.3
5	Project R	General practice CDSS and chronic disease management tools	10.0	August 2, 2021	April 17, 2024	6.6	1.4

Pipeline projects[3] as of December 31, 2022

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	(Expected) Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project S	Regional healthcare administrator services	27.9	October 20, 2022	December 30, 2024	–	–
2	Project T	Regional healthcare administrator services, chronic disease management tools, general practice CDSS and smart hospital solutions	18.4	December 30, 2022	June 30, 2023	–	–
3	Project U	Regional healthcare administrator services, chronic disease management tools and general practice CDSS	10.1	December 29, 2022	March 30, 2023	–	–
4	Project V	General practice CDSS	6.0	December 30, 2022	June 30, 2024	–	–
5	Project W	Smart hospital solutions	3.6	December 12, 2022	June 30, 2024	–	–

2023

Completed[1] in 2023

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project O	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	105.7	June 27, 2022	October 18, 2023	2.5	0.4
2	Project F	Smart hospital solutions, regional healthcare administrator services, general practice CDSS, chronic disease management tools	40.6	January 25, 2021	December 1, 2023	2.0	0.4
3	Project Q	General practice CDSS, chronic disease management tools and regional healthcare administrator services	38.0	November 16, 2022	October 10, 2023	13.3	2.4

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
4	Project X	Medical insurance administrative solutions	22.5	August 28, 2023	December 27, 2023	19.9	3.6
5	Project T	Regional healthcare administrator services, chronic disease management tools, general practice CDSS and smart hospital solutions	18.4	December 30, 2022	June 30, 2023	16.6	3.0

Ongoing[2] as of December 31, 2023

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Expected Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project P	General practice CDSS, regional healthcare administrator services, chronic disease management tools and medical insurance administrative solutions	97.0	September 29, 2022	December 20, 2024	20.9	3.8
2	Project Y	General practice CDSS and chronic disease management tools	75.7	June 28, 2023	September 30, 2024	63.7	11.4
3	Project Z	Smart hospital solutions, post-discharge management tools and intelligent assistant	34.3	December 19, 2023	December 25, 2024	12.7	2.3
4	Project S	Regional healthcare administrator services	27.9	October 20, 2022	December 30, 2024	25.3	4.5
5	Project AA	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	22.6	August 17, 2023	June 30, 2024	17.5	3.2

Pipeline projects[3] as of December 31, 2023

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Expected Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
1	Project AB	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	47.3	December 13, 2023	December 15, 2024	–	–
2	Project AC	General practice CDSS, chronic disease management tools, smart hospital solutions, intelligent assistant and medical insurance administrative solutions	24.7	December 8, 2023	January 30, 2025	–	–
3	Project AD	Intelligent assistant, post-discharge management tools and smart hospital solutions	12.8	October 21, 2022	August 30, 2024	–	–

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Expected Time of Completion	Revenue Recognized for the Year	Percentage of Total Revenue for the Year
			RMB in millions			*RMB in millions*	*%*
4	Project AE	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	9.2	November 8, 2023	December 28, 2024	–	–
5	Project AF	General practice CDSS, chronic disease management tools and smart hospital solutions	7.3	December 29, 2023	July 20, 2024	–	–

January 1, 2024 – June 30, 2024

Completed[(1)] in this period

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Time of Completion	Revenue Recognized for the Period	Percentage of Total Revenue for the Period
			RMB in millions			*RMB in millions*	*%*
1	Project AG	General practice CDSS	12.9	April 29, 2024	June 20, 2024	12.1	5.3
2	Project AH	Smart hospital solutions and post-discharge management tools	12.8	January 8, 2024	June 20, 2024	11.2	4.9
3	Project AI	Smart hospital solutions	4.9	May 10, 2024	June 20, 2024	4.6	2.0
4	Project AJ	Smart hospital solutions	3.8	November 10, 2023	March 25, 2024	3.5	1.5
5	Project AK	Smart hospital solutions and post-discharge management tools	3.3	October 16, 2023	January 15, 2024	2.9	1.3

Ongoing[2] as of June 30, 2024

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Expected Time of Completion	Revenue Recognized for the Period	Percentage of Total Revenue for the Period
			RMB in millions			*RMB in millions*	*%*
1	Project P	General practice CDSS, regional healthcare administrator services, chronic disease management tools and medical insurance administrative solutions	97.0	September 29, 2022	December 20, 2024	–	0.0
2	Project Y	General practice CDSS and chronic disease management tools	75.7	June 28, 2023	September 30, 2024	–	0.0
3	Project AB	General practice CDSS, chronic disease management tools, regional healthcare administrator services and smart hospital solutions	47.3	December 13, 2023	December 15, 2024	28.7	12.5
4	Project Z	Smart hospital solutions, post-discharge management tools and intelligent assistant	34.3	December 19, 2023	December 25, 2024	15.4	6.7
5	Project S	Regional healthcare administrator services	27.9	October 20, 2022	December 30, 2024	–	0.0

Pipeline projects[3] as of June 30, 2024

No.	Projects	Products and Services Provided	Awarded Contract Sum	Time of Commencement	Expected Time of Completion	Revenue Recognized for the Period	Percentage of Total Revenue for the Period
			RMB in millions			*RMB in millions*	*%*
1	Project AC	General practice CDSS, chronic disease management tools, smart hospital solutions, intelligent assistant and medical insurance administrative solutions	24.7	January 9, 2024	January 30, 2025	–	–
2	Project AL	Smart hospital solutions and post-discharge management tools	7.5	August 13, 2024	June 30, 2025	–	–
3	Project AM	Smart hospital solutions and intelligent assistant	5.9	June 20, 2024	January 30, 2025	–	–
4	Project AN	Intelligent assistant	5.7	December 28, 2023	December 1, 2025	–	–
5	Project AO	General practice CDSS	3.6	June 27, 2024	December 31, 2024	–	–

Notes:

(1) Project implementation concluded and revenue acceptance completed during the period indicated.

(2) Project implementation was ongoing and at least a portion of revenue had been recognized as of the date indicated.

(3) Contract had been signed but no revenue had been recognized as of the date indicated.

The awarded contract sum of our top five pipeline contracts during the Track Record Period is smaller than that of our top five completed contracts during the Track Record Period primarily because, after having established benchmark cases and attained provincial and city-level coverage in certain key markets, we capitalize such presence and further increase our market penetration by enhancing collaboration with customers of smaller size, such as health commissions at district and county level.

The tables below set forth the movement of our project backlog with both the number of projects and contract value for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(count)		
Opening number of backlog	58	112	137	137	208
Added projects	184	276	558	271	268
Completed projects[(1)]	130	251	487	125	213
Ending number of backlog	112	137	208	283	263

Note:

(1) The number of completed projects only includes that of fully completed projects. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we also generated revenue from 51, 34, 90, 59 and 72 projects that were partially implemented during the same periods, respectively.

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in millions)		
Opening contract value of backlog	150.8	99.4	184.8	184.8	180.7
Added contract value[(1)]	324.4	559.7	557.0	219.6	241.7
Contract value recognized[(1)]	375.8	474.3	561.1	196.4	230.5
Ending contract value of backlog	99.4	184.8	180.7	209.9	193.2

Note:

(1) The added contract sum includes the amount derived from all newly added contracts in the respective periods. The contract value recognized includes the revenue recognized under all contracts in the respective periods plus taxes and surcharges we recognized in the respective periods. The taxes and surcharges for 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 were RMB3.3 million, RMB2.4 million, RMB5.0 million, RMB1.9 million and RMB1.3 million, respectively.

The number of projects carried forward to the next financial year increased from 112 to 137 and further to 208 from 2021 to 2023. The number of added projects and completed projects both increased from 2021 to 2023. This is primarily because we have refined our sales strategy and directly sold to an increased number of county, district and community-level healthcare administrators in addition to centralized bulk sales, resulting in shorter times from leads to order. In addition, certain of our customers purchased our projects by phase, where they purchased multiple small-scale projects instead of one or a few large-scale projects, which offers more flexibility. See "— Business Sustainability — Solid and Growing Market Presence to Support Future Development — Expanding Customer Base and Project Implementation." Under our additional sales strategy, we were able to obtain more new projects as well as complete more projects within a financial year. As of June 30, 2024, we had 263 projects carrying forward to the next financial period with a total amount of RMB193.2 million. Meanwhile, our added contract sum and ending contract value of backlog increased from 2021 to 2022 and remained relatively stable from 2022 to 2023, primarily because the size of projects offered directly to county, district and community-level customers is generally smaller than that of projects offered to municipal-level customers in bulk sales.

SUPPLIERS

All of our suppliers are located in the PRC. Our suppliers mainly include hardware suppliers, software suppliers and service suppliers. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our five largest suppliers in each year/period accounted for 40.8%, 42.2%, 40.1% and 38.8% of our total purchases, respectively. During the same periods, our single largest supplier in each year/period contributed 27.9%, 21.8%, 18.1% and 20.2% of our total purchases, respectively. We typically enter into standard procurement agreements with our suppliers. See "— Sourcing and Procurement."

The table below sets forth the details of our top five suppliers during the Track Record Period:

For the year ended December 31, 2021

Name of the suppliers	Purchase amount from the supplier	% of total purchase	Principal business	Key products/services purchased	Year of commencement of business relationship	Typical method of payment	Credit period granted from the supplier	Location of business
	(RMB'000)							
iFlytek Group	83,115[1]	27.9	Research on speech technology and AI technology	Human resources services, technology services and administration services	2016	bank transfer	30 days	Hefei, Anhui
Supplier A	20,478	6.9	Research on intelligent speech, development of AI projects and labor outsourcing services, among others	Labor outsourcing services	2019	bank transfer	7 days	Hefei, Anhui
Supplier B	8,449	2.8	Software development outsourcing services, integrated information services and technical consulting services, among others	Labor outsourcing services	2021	bank transfer and bank acceptance	30 days	Wuhan, Hubei
Supplier C	4,782	1.6	Design, development and sales of computer software and hardware as well as electronic products, among others	Telecommunication services	2017	bank transfer	60 days	Hefei, Anhui
Supplier D	4,467	1.5	Information technology services, among others	Interface services	2019	bank transfer and bank acceptance	30 days	Hefei, Anhui
Subtotal	**121,291**	**40.8**						
Total purchase for the year	**297,400**							

Note:

(1) The purchase amount includes the rental we paid to iFlytek Group under the lease transaction for the same year.

For the year ended December 31, 2022

Name of the suppliers	Purchase amount from the supplier	% of total purchase	Principal business	Key products/services purchased	Year of commencement of business relationship	Typical method of payment	Credit period granted from the supplier	Location of business
	(RMB'000)							
iFlytek Group	77,778[(1)]	21.8	Research on speech technology and AI technology	Human resources services, technology services and administration services	2016	bank transfer	30 days	Hefei, Anhui
Supplier A	34,186	9.6	Research on intelligent speech, development of AI projects and labor outsourcing services, among others	Labor outsourcing services	2019	bank transfer	7 days	Hefei, Anhui
Supplier B	15,619	4.4	Software development outsourcing services, integrated information services and technical consulting services, among others	Labor outsourcing services	2021	bank transfer and bank acceptance	30 days	Wuhan, Hubei
Supplier E	12,403	3.5	Telecommunication services and Internet audio-video program services, among others	Telecommunication services	2017	bank transfer	30 days	Beijing
Supplier F	10,440	2.9	Development of AI basic software and the construction of public data platforms, as well as engineering technology and design services	Telecommunication services	2019	bank transfer and bank acceptance	30 days	Shenzhen, Guangdong
Subtotal	**150,426**	**42.2**						
Total purchase for the year	**357,242**							

Note:

(1) The purchase amount includes the rental we paid to iFlytek Group under the lease transaction for the same year.

For the year ended December 31, 2023

Name of the suppliers	Purchase amount from the supplier	% of total purchase	Principal business	Key products/services purchased	Year of commencement of business relationship	Typical method of payment	Credit period granted from the supplier	Location of business
	(RMB'000)							
iFlytek Group	85,390[1]	18.1	Research on speech technology and AI technology	Human resources services, technology services and administration services	2016	bank transfer	30 days	Hefei, Anhui
Supplier A	54,020	11.5	Research on intelligent speech, development of AI projects and labor outsourcing services, among others	Labor outsourcing services	2019	bank transfer	7 days	Hefei, Anhui
Supplier G	18,819	4.0	Manufacturing and operation of medical apparatus and instruments, among others	Outsourcing services for manufacturing of hardware product	2021	bank transfer and bank acceptance	30 days	Meizhou, Guangdong
Supplier B	16,561	3.5	Software development outsourcing services, integrated information services and technical consulting services, among others	Labor outsourcing services	2021	bank transfer and bank acceptance	30 days	Wuhan, Hubei
Supplier E	13,930	3.0	Telecommunication services and Internet audio-video program services, among others	Telecommunication services	2017	bank transfer	30 days	Beijing
Subtotal	**188,720**	**40.1**						
Total purchase for the year	**470,509**							

Note:

(1) The purchase amount includes the rental we paid to iFlytek Group under the lease transaction for the same year.

For the six months ended June 30, 2024

Name of the suppliers	Purchase amount from the supplier	% of total purchase	Principal business	Key products/services purchased	Year of commencement of business relationship	Typical method of payment	Credit period granted from the supplier	Location of business
	(RMB'000)							
iFlytek Group	52,878[1]	20.2	Research on speech technology and AI technology	Human resources services, technology services and administration services	2016	bank transfer	30 days	Hefei, Anhui
Supplier A	17,132	6.6	Research on intelligent speech, development of AI projects and labor outsourcing services, among others	Labor outsourcing services	2019	bank transfer	7 days	Hefei, Anhui
Supplier G	11,618	4.4	Manufacturing and operation of medical apparatus and instruments, among others	Outsourcing services for manufacturing of hardware product	2021	bank transfer and bank acceptance	30 days	Meizhou, Guangdong
Supplier H	11,396	4.4	Technical services, technology development, technology consulting, technology transfer, among others	Outsourcing services for sales of hardware product	2022	bank transfer	30 days	Hefei, Anhui
Supplier I	8,351	3.2	Basic telecommunication services and value-added telecommunication services, among others	Telecommunication services	2016	bank transfer	30 days	Beijing
Subtotal	**101,375**	**38.8**						
Total purchase for the period	**261,198**							

Note:

(1) The purchase amount includes the rental we paid to iFlytek Group under the lease transaction for the same period.

Except for iFlytek Group, none of our Directors and, to the knowledge of our Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital has had any interests in any of our five largest suppliers in each year/period during the Track Record Period and as of the Latest Practicable Date. For details of iFlytek's shareholding status, see "History, Development and Corporate Structure."

COMPETITION

We have achieved a competitive position in the healthcare AI industry in the PRC. Our major types of potential competitors comprise traditional Internet companies, general AI players, CDSS service providers and SaaS providers, digital healthcare product companies and healthcare software providers.

According to Frost & Sullivan, the key entry barriers in the healthcare AI industry include industry insight barrier, financial resources, inter-disciplinary talent and regulatory requirements. We anticipate that the healthcare AI industry will continue to grow driven by the advancement of AI technologies, the favorable policies, the demand for medical resources and the development of the digital economy. We must continually innovate to remain competitive.

INTELLECTUAL PROPERTY

We seek to protect our technology through a combination of patent, copyright and trade secret laws in the PRC and other jurisdictions, as well as license agreements and other contractual protections. We also rely on a number of registered and unregistered trademarks to protect our brand. In addition, we enter into confidentiality and non-disclosure agreements with our employees and major business partners. The agreements we enter into with our employees also provide that all software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment are our property.

Intellectual property is fundamental to our success and competitiveness. As of the Latest Practicable Date, we had registered in the PRC a total of 237 patents, 282 trademarks, 28 domain names and 289 software copyrights. See "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Intellectual Property Rights."

We had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period. See "Risk Factors — We may not be able to prevent unauthorized use of our intellectual property, which may be expensive and time-consuming to defend and may disrupt our business and operations." and "Risk Factors — We may be subject to intellectual property infringement claims, unfair competition or other allegations, particularly relating to the resources or data we use in our artificial intelligence training, which could result in payment of substantial damages, penalties and fines and removal of data or technology from our system."

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider appropriate for our business operations. We are dedicated to continuously improving these systems, developing a risk management culture and raising the risk management awareness of all employees.

Operational Risk Management

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

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial policy, budget management policy, fund management policy, financial statements preparation policy and finance department and staff management policy. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Information System Risk Management

Sufficient protection of healthcare data is critical to our success. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any material leakage or loss of healthcare data. Our IT system security department is responsible for ensuring the security of our IT infrastructure and ensuring that the usage, maintenance and protection of healthcare data are in compliance with our internal rules and the applicable laws and regulations. We provide regular training to our information technology teams. During the Track Record Period, we did not encounter any material system defects.

For data-related internal control measures, see "— Data Privacy And Protection — Internal Control in Relation to Data Protection."

Compliance Risk Management

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

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Our human resource department regularly organizes internal training sessions conducted by senior employees or outside consultants on topics of interest. Our human resource department schedules online training, reviews the content of the training, follows up with employees to evaluate the impact of such training and rewards lecturers for positive feedback. Through this training, we ensure that our staff's skill sets remain up to date, enabling them to better discover and meet consumers' needs.

EMPLOYEES

We believe that our professional workforce is the driving force of our long-term growth. During the Track Record Period, all of our employees were located in the PRC. The following table sets forth the number of our employees by functions as of June 30, 2024:

Department	Number	Percentage
		(%)
Research and development	399	46.6
Products	130	15.2
Sales, marketing and consulting	133	15.5
Delivery and operation	75	8.7
Management	63	7.3
Supporting	57	6.7
Total	**857**	**100.0**

We are committed to establishing competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees monthly, quarterly and annually to provide feedback on their performance. Compensation for our employees typically consists of basic salary and a performance-based bonus.

We continually improve our welfare system for the benefit of our employees. We offer employees additional benefits such as annual leave, stipends and health examinations, among other things. We provide regular and specialized training tailored to the needs of our employees in different departments. We provide training to the management and service personnel at all levels. Through this training, we help our employees to stay up to date with both industry developments and skills and technologies. We also organize workshops from time to time to discuss specific topics.

During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image. As of the Latest Practicable Date, our employees were represented by a labor union.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. We did not maintain medical liability insurance. This is because our products and services are primarily provided for doctors' and medical professionals' reference, and the diagnosis and treatment advice are provided by doctors and medical professionals. According to our PRC counsel, doctors or medical professionals are liable for any harm to patients resulting from their fault during the diagnostic and treatment process. In addition, we have taken a number of measures to reduce the risk of medical liabilities, including (i) providing disclaimers and terms for our products and services, which clarify that the results generated by our products and services are meant for reference and cannot replace diagnosis by licensed medical practitioners; (ii) conducting clinical trials for our Patent Services products involving medical devices and obtaining relevant medical device registration certificates; (iii) providing training to medical institutions and personnel on our products and services; (iv) creating detailed product instructions that guide the usage of our products; (v) issuing warnings about potential risks of improper use; and (vi) performing regular maintenance on our products to ensure compliance with relevant regulatory requirements on product quality. During the Track Record Period, we did not make any material insurance claims in relation to our business.

PROPERTIES

As of the Latest Practicable Date, we leased seven properties in the PRC, with an aggregate gross floor area of approximately 14,434.59 square meters (excluding space occupied by leased work desks), primarily for use for business and office purposes. The relevant lease agreements have lease expiration dates ranging from one month to four years. As of the Latest Practicable Date, we had not registered the lease agreements for five of our leased properties with the relevant competent authorities in accordance with applicable laws and regulations in China. We have proactively taken steps to register the lease agreements. As of June 30, 2024, we have completed the registration and filing of two lease agreements and been continuously communicating with relevant competent authorities of the other five leased properties. For risks relating to our leased properties, see "Risk Factors — Failure to comply with PRC property-related laws and regulations regarding our owned and leased properties may materially and adversely affect our business, financial condition and prospects." We did not own any property as of the Latest Practicable Date.

As of June 30, 2024, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

U.S. EXPORT CONTROL IMPLICATIONS

Effective October 9, 2019, the U.S. Department of Commerce designated "iFLYTEK" on the Entity List (the "**Entity List Designation**"). As advised by our U.S. Export Control and Sanctions Counsel, it is reasonable to conclude that (i) the Entity List Designation entry applies to iFlytek Co., Ltd. (the "**Designated Entity**") and (ii) the Entity List Designation does not *per se* apply to us, Xunfei Healthcare. The Entity List Designation restricts the ability of the Designated Entity to purchase or otherwise access certain goods, software and technology that are subject to EAR without a license from the BIS.

As advised by our U.S. Export Control and Sanctions Counsel, the Entity List Designation does not subject other entities that are legally distinct from the Designated Entity, including us, to the U.S. export control restrictions resulting from the Entity List Designation. As noted by BIS FAQ 134, "the licensing and other obligations imposed on a listed entity by virtue of its being listed do not per se apply to its subsidiaries, parent companies, sister companies, or other legally distinct affiliates that are not listed on the Entity List."

Our U.S. Export Control and Sanctions Counsel further confirmed that U.S. and non-U.S. persons or companies can continue to lawfully provide goods, software and technology that are subject to the EAR, so long as (i) such goods, software and technology are not exported, reexported or transferred, directly or indirectly, to entities designated in the Entity List; (ii) such goods, software and technology are not diverted to entities designated in the Entity List, by other legally distinct group entities not identified on the Entity List; and (iii) entities designated in the Entity List are not otherwise a "party to the transaction" including as purchaser, intermediate consignee, ultimate consignee or end-user of such goods, software and technology. Our U.S. Export Control and Sanctions Counsel confirmed that U.S. and non U.S. persons or companies, may (i) lawfully enter transactions with other U.S. and non U.S. persons or companies so long as neither party to the transaction is subject to the U.S. export control restrictions (e.g., both parties are entities legally distinct from entities designated in the Entity List); and (ii) lawfully use any goods, software and technology that are lawfully obtained (e.g., prior to the Entity List Designation or pursuant to a license from the BIS).

In 2021, 2022, 2023 and the six months ended June 30, 2024, our revenue generated from sales to the Designated Entity accounted for approximately 2.59%, 1.65%, 1.08% and 2.50%, respectively. None of our products or services provided to the Designated Entity after its Entity List Designation involved goods, software and technology that are subject to the EAR at the time of the provision. Based on the above, representations made by us and legal analysis under the U.S. export control laws, our U.S. Export Control and Sanctions Counsel was of the view that none of these transactions would have violated the U.S. export control laws and regulations, namely the EAR, and was not aware of any instances in which our Group had not complied with U.S. export control laws and regulations since the designation of Designated Entity on the Entity List. In addition, our U.S. Export Control and Sanctions Counsel further confirmed that the Entity List restrictions apply to exports, re-exports or transfers (in-country) of items subject to the EAR to the Designated Entity and do not restrict receiving items from the Designated Entity.

Moreover, all our Group's products and services were provided to customers within the PRC and our Group does not directly or indirectly deliver any products and/or services to the U.S. To the best of our knowledge, only less than 1.0% of our Group's total purchase amount related to R&D, production and project implementation during the Track Record Period were of U.S. brands. Such procured materials from U.S. brands, mainly including desktop computers, servers, operating systems, printers, database licenses and network storage hard drives for which there are sufficient alternatives from non-U.S. brands, are not essential materials required for the R&D, production and delivery of our products and services, but mainly are equipment used for project implementation.

Furthermore, based on facts provided by us and legal analysis under the U.S. export control laws, our U.S. Export Control and Sanctions Counsel was of the view that the risk that the Designated Entity would present a material sanctions risk to us, including but not limited to administrative or criminal penalties or the imposition of secondary sanctions, is low given that we are not designated by the BIS on the Entity List by reason of the Entity List Designation of the Designated Entity.

We adopted the Trade and Export Control Compliance Guidelines as a detailed guide to manage the sanction risk, which primarily covers the following aspects:

(i) ***Employee Awareness and Commitment:*** All our employees are required to comply with relevant U.S. export control laws. All our business operations by any individual employed by or otherwise acting on behalf of us are required to be conducted in a manner compliant with relevant laws. Without a requisite U.S. export license from BIS, our employees may not send any goods, software and technology that are subject to the EAR to entities designated in the Entity List, including the Designated Entity, or engage in communication regarding such items with such entities.

(ii) ***Risk Assessment:*** We (A) identify and classify items (a) procured from suppliers by obtaining the relevant export control information such as export control classification numbers ("ECCN") and (b) created by us by export control classification; and (B) screen our business partners (including customers and suppliers) against the restricted and sanctioned party lists maintained by China and the U.S.

(iii) ***Communication Protocol:*** We ensure that our oral or written communication with any entity designated in the Entity List, including the Designated Entity, are compliant with relevant U.S. export control laws.

(iv) ***Export and Import Evaluation:*** We evaluate all exports and imports for potential BIS license requirement. The evaluation scope includes tangible items as well as software, technology and data.

(v) ***Internal Reporting:*** We have in place a whistleblowing policy for our employees to report suspected violation of our "Trade and Export Control Compliance Guide" or any applicable laws and regulations. We also require immediate reporting of illegal activities to relevant regulatory bodies.

(vi) ***Record Retention:*** We retain records of export, re-export and import-related transactions and activities for a minimum of five years.

(vii) ***Training:*** We provide annual compliance training, including senior management.

(viii) ***Regular Review and Updates:*** Our "Trade and Export Control Compliance Guide" is subject to regular reviews and updates, including annual internal audits. We are also closely monitoring changes in applicable laws and regulations to further update our compliance policies.

In light of the above, our Directors are of the view, and the Joint Sponsors concur, that the Designated Entity's Entity List Designation did not have any material adverse impact on the Group's business operation.

SOCIAL, HEALTH, OCCUPATIONAL SAFETY AND ENVIRONMENTAL MATTERS

We are committed to operating our business in a manner that protects the environment and providing our employees with a healthy and safe workplace. Our management team places significant importance on environmental, social and governance ("**ESG**") issues. We have implemented a set of policies on the environment, employee welfare and corporate governance, which we believe are in line with industry standards and in compliance with the requirements of the Listing Rules. Our Directors believe that the establishment and implementation of ESG principles and practices will enable us to fulfill our mission and strategic objectives, while delivering long-term value to our stakeholders. The Board has primary responsibility for overseeing the development and reporting of our ESG direction and strategy, identifying ESG-related risks and monitoring and evaluating our ESG performance. Moreover, it closely monitors evolving ESG-related laws and regulations, updating our ESG measures accordingly to ensure compliance with the latest regulatory requirements.

We intend to establish an ESG management committee to implement the ESG framework, set ESG-related goals and oversee their execution. The members of the ESG Committee will be appointed by our Directors and senior management. Their key responsibilities will include:

- formulating, reviewing and implementing the ESG policies, the short-, medium- and long-term ESG targets and strategies to be approved by the Board;
- integrating the ESG policy into daily business operation;
- identifying, assessing and reporting environmental and social risks and opportunities to the Board;
- preparing the annual ESG reports to be reviewed by the Board;
- monitoring the ESG performance of our subsidiaries regularly;
- supervising and reviewing our corporate social responsibility and sustainable development policies, practices, frameworks and management guidelines and providing suggestions for improvement; and
- reviewing our public announcements, disclosures and releases on our corporate social responsibility and sustainable development performance.

We intend to set ESG-related goals, targets and policies in terms of energy consumption, workplace management and supply chain management. Specifically, within the next five years, we aim to reduce the intensity of purchased electricity, freshwater usage, non-hazardous waste generation and emissions by 5%. We strive to provide and maintain a safe and healthy working environment whilst complying with all relevant laws and regulations. We also actively undertake our social responsibilities to improve the social welfare. Based on our progress, our ESG Committee may adjust our targets as needed. We intend to establish a review mechanism comprising members of our ESG Committee. This team reports directly to our Board on a regular basis, ensuring that ESG matters receive direct oversight at the highest levels of our Group. We intend to compare the actual performance against these targets on an annual basis to assess our progress and demonstrate the achievability of our goals. Further, we will analyze both the financial and non-financial impacts of our ESG initiatives. This includes assessing cost savings from reduced energy consumption, the benefits of enhanced brand reputation from our social initiatives, and the long-term financial gains from sustainable business practices. These reviews help us to refine our strategies and ensure that our actions not only meet our ESG commitments but also contribute positively to our overall operational performance.

We do not operate any production facilities. Therefore, we believe we are not subject to significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations.

Potential Climate Risks on Our Business Operation and Financial Results

We actively identify and monitor environmental, social and climate-related risks and opportunities that may impact our business, strategy and financial performance and evaluate the magnitude of resulting impact over the short-, medium- and long-term horizon. Given the nature of our business, we believe that our operational activities do not significantly pose a negative impact on the environment and we are not aware of any material environmental liability risk or compliance costs arising during the Track Record Period and up to the Latest Practicable Date.

Our business is subject to both physical and transition risks due to climate change, which could potentially impact our operational and financial performance in the short, medium and long term.

- ***Physical risks***: In the short term, our operations are vulnerable to extreme weather events such as flooding, icing, rainstorms and snowstorms. These events could disrupt our employees' ability to commute and adversely affect our information technology system's functionality, leading to potential system failures and data loss. Such disruptions could temporarily impair our service delivery, affecting customer satisfaction and potentially leading to financial losses.

- ***Transition risks***: Over the medium and long term, our operating and compliance costs may increase as we adjust to a lower-carbon economy. This adjustment may be driven by evolving climate-related policies and regulations, technological changes, and shifts in market and social trends. For example, we anticipate additional initial expenditures as we transition to energy-efficient office lighting and enhance the green spaces at our business premises. Increasing obligations on resource consumption may increase our regulatory compliance costs for more stringent monitoring in this regard. These changes, while initially costly, are aligned with our strategic commitment to sustainability and are expected to result in long-term savings and compliance benefits.

We employ a proactive approach to identify and manage climate-related risks and opportunities, including:

- ***Monitoring and adaptation:*** We actively monitor environmental and regulatory developments to anticipate and adapt to changes that could impact our business. This includes regular reviews of weather forecasts and regulatory updates to ensure swift adaptation to environmental conditions and compliance requirements.

- ***Strategic mitigation measures:*** We have implemented several measures to mitigate physical risks, including developing emergency protocols and disaster recovery plans to ensure business continuity during extreme weather events. Additionally, we are enhancing our infrastructure to withstand various climate-related challenges.

- ***Enhancing sustainability practices:*** To address transition risks, we are advancing our sustainability practices by reducing resource use and increasing our reliance on recyclable and energy-efficient products. Our procurement team is focused on sourcing environmentally friendly materials, and we are promoting a paperless office environment to minimize waste.

- ***Employee engagement and policy development:*** We plan to formulate internal policies on ESG practices and educate our employees about our climate-related strategies to involve them in our efforts to reduce energy use. This includes internal policies to turn off non-essential electronics and optimize air conditioning use, directly contributing to our energy efficiency goals.

- ***Partnerships and collaborations:*** Engaging in partnerships with suppliers and other businesses focused on environmental sustainability can lead to shared innovations, co-development of products, and enhanced supply chain sustainability. These collaborations not only improve our environmental footprint but also enhance our market reach and product offerings.

- ***Regulatory incentives:*** Proactively adapting to environmental regulations can position us to take advantage of governmental incentives for green businesses, such as tax breaks, subsidies and grants, further improving our financial performance and supporting long-term growth strategies.

As we navigate the challenges posed by climate change, we also recognize and actively pursue several opportunities that can enhance our business operations, innovation capabilities and market positioning:

- ***Innovation and new product development:*** The increasing demand for sustainable products and services opens up opportunities for innovation in our product lines. For example, developing software and technologies that help other businesses improve their work efficiency, reduce their paper usage or other carbon footprints can diversify our offerings and tap into new market segments.

- ***Operational efficiency:*** Implementing energy-efficient technologies and practices not only reduces our operational costs but also enhances our compliance with emerging environmental regulations over the long term. Over time, investments in energy-efficient infrastructure and green technologies are expected to yield cost savings through reduced energy consumption and operational efficiencies.

- ***Reputation and competitive advantage:*** By upholding sustainability practices, we enhance our corporate reputation. This strengthens our brand, attracts environmentally conscious customers, and improves our standing with investors who are increasingly focusing on ESG criteria.

- ***Access to green financing:*** Our proactive approach to managing climate-related risks and capitalizing on opportunities positions us favorably for accessing green financing options. These financial instruments typically offer favorable terms and are aimed at supporting projects and initiatives that have a positive environmental impact.

By actively identifying and leveraging these opportunities, we not only mitigate risks but also contribute to a sustainable future, driving value creation for our shareholders and stakeholders. This strategic approach ensures that we remain agile and responsive in a rapidly evolving business environment, securing a resilient and sustainable business model.

COVID-19 Responses

Amid the outbreak of the COVID-19 pandemic, we were one of the earliest healthcare companies to respond and offer products and services. We offered a CDSS product tailored for COVID-19 related syndromes such as fever, cough and breathing difficulty, which specifically screened EMRs of patients. This tailored CDSS had also been updated with a COVID-19 medical knowledge graph, which was equipped with COVID-19 related follow-up question suggestions, clinical practice guidance and a knowledge library for doctors' use. Based on EMR monitoring and assessment, we prepared reports to provincial health commissions. We also offered our outbound calling services for health commissions to conduct contact tracing and resident surveys to inquire into their travel history, contact history and health status, and helped to equip mobile cabin hospitals, which were mobile makeshift hospitals established during the outbreak of the COVID-19 pandemic to isolate and treat COVID-19 patients, with Hospital Services.

Environment Protection

We strictly adhere to the standards set or issued by the relevant PRC environment-related laws and regulations in assessing and managing our impacts on the environment as a result of our business activities. We have implemented company-wide environmental policies and standard operating procedures, mainly comprising management systems and procedures relating to wastewater generation and electricity energy saving.

Metrics and Targets

Historically, we mainly tracked the KPIs such as energy consumption and fresh water consumption, and water pollutants emission in relation to our principal business. Our administrative department is responsible for overseeing the implementation of policies and procedures. Our use of water in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 was 6,210 tons, 7,779 tons, 8,256 tons, 4,341 tons and 5,200 tons, respectively. Our use of electricity energy in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024 was 719,467 kWh, 920,763 kWh, 957,615 kWh, 428,368 kWh and 496,981 kWh, respectively.

Targets

Strategies	Approaches	Targets for the next five years
Water consumption reduction	Reduce water consumption by improving water-saving methods in our operations	Reduce water intensity by 5% based on consumption in 2023
Electricity consumption reduction	Reduce electricity consumption by improving electricity-saving methods in our operations	Reduce electricity intensity by 5% based on consumption in 2023

Plans and Measures to Achieve the Consumption Reduction

We intend to further reduce our water and electricity consumption in the foreseeable future through various workspace policies and measures. We expect to continue to promote green and low-carbon self-owned medical institutions by implementing green environment concepts, vigorously promoting online offices and implementing the transformation to a more efficient operational model.

In addition, we intend to implement the plan for water and electricity consumption reduction through the following measures: (i) establishing policy for energy saving and assigning specific personnel to implement energy saving policy; (ii) conducting regular water pipe leak testing to avoid potential water wastage; (iii) arranging workers to fix dripping taps in a timely manner; (iv) putting up water saving posters and reminders to remind everyone to turn off the faucet completely after use; and (v) arranging a security team to turn off lights according to set schedules.

Employee Welfare

In alignment with our commitment to diversity and inclusion, we have undertaken measures to ensure a diverse workforce. As of June 30, 2024, our employee composition reflected a balance across various demographics: approximately 68% of our employees were male and approximately 32% were female. In addition, our senior management team currently consists of two male members and one female member. As of June 30, 2024, our workforce also spans a range of age groups, with approximately 35% under 30 years of age, 42% aged between 31 and 35, and 23% over 35 years old. This diversity extends to expertise, with team members ranging from recent graduates to professionals with expertise in the AI and healthcare industries, including AI technology, product development, healthcare services, marketing and finance. Notably, on average, our senior management members have more than nine years of experience in the AI industry and ten years of experience in the healthcare industry. In addition, more than 38% of our management members had an interdisciplinary background in the healthcare and technology fields as of June 30, 2024. We rigorously adhere to the principles of equality as outlined in our employment policies. We hire employees based on merit and are committed to providing equal opportunities without regard to gender, age, race, religion, or any other social or personal characteristics. Our workplace is governed by strict policies that ensure it is free from any form of discrimination, physical, or verbal harassment.

Our commitment to employee welfare is further evidenced by our benefits programs and our responsive dismissal and anti-discrimination practices in compliance with relevant PRC laws and regulations. These policies are regularly reviewed and updated to remain aligned with legal standards and best practices in corporate governance. We provide employees with an insurance package consisting of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. We offer a flexible work system to accommodate employees' flexible work needs and strictly enforce work hours and vacation policies to enhance work efficiency and employee satisfaction. Our dismissal procedures are structured to ensure fairness and legality. They include clear guidelines on performance management, regular feedback sessions, and a structured grievance redressal mechanism that employees can use to contest decisions or seek clarification. In addition, we maintain a zero-tolerance policy towards discrimination and harassment in the workplace. This policy is supported by mandatory training sessions on diversity and inclusion for all employees, regular reviews of workplace practices, and a confidential reporting system for any incidents of discrimination or harassment. We also regularly organize health and safety training programs to improve employees' first aid knowledge and skills.

Moreover, we actively support our employees and their families during times of hardship through company-wide donations and support programs. This initiative is part of our broader strategy to foster a supportive and inclusive workplace environment. By maintaining a workplace that values diversity and inclusion, we not only adhere to legal requirements but also enhance our company culture, encouraging a wide range of ideas and insights that contribute to our business success and community well-being.

Supply Chain Management

We primarily purchase services, software, servers and hardware from our suppliers. In our commitment to sustainability and social responsibility, we have implemented mechanisms and policies designed to identify, evaluate, and manage environmental and social risks throughout our supply chain. We conduct thorough due diligence on all potential suppliers before entering into contracts. This process includes evaluating their environmental practices and social responsibility records, along with other factors such as product quality, after-sale services, delivery speed and customer service responsiveness. Once onboarded, suppliers are subject to periodic audits and assessments to ensure ongoing compliance with our environmental and social standards.

We prioritize suppliers who demonstrate a commitment to environmental sustainability. This includes those who utilize renewable energy sources, employ waste reduction practices, and actively reduce their carbon footprint. Beyond mere transactional relationships, we engage in partnerships with our suppliers to help them improve their environmental and social practices. This collaboration includes sharing best practices, providing training on sustainability, and co-developing new environmentally preferable products and services. We offer incentives for suppliers that achieve significant environmental or social milestones, such as reduced emissions or improved labor practices. These incentives include longer contract terms, increased order volumes, and public recognition of their efforts.

Social Responsibility

We are committed to social responsibility and high standards of corporate governance. During the COVID-19 pandemic in 2022, we collaborated with iFlytek to support Hong Kong by donating supplies worth approximately RMB0.3 million. Building on our dedication to making a positive impact, in February 2024, we initiated the "Hearing Action – 20th Sound Seeking Plan" and invited applications for 1,000 free hearing aids, aiming at improving the quality of life for individuals with hearing impairments.

In March 2023, we donated RMB0.1 million to the China University of Science and Technology Education Foundation to support the development of the life medical forum. Moreover, in the same month, we donated hearing aid products worth RMB0.2 million and RMB0.1 million in funds to the China Hearing Medical Development Foundation to support the "Hearing and Language Intervention New Model under the Aging Trend" public welfare project.

LICENSES AND PERMITS

We are required to obtain various licenses, permits and certifications for our operations. As advised by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, we have duly obtained all material licenses, permits and certificates required by PRC laws and regulations applicable to the operation of our principal business, and such licenses, permits and certificates have remained in full effect. We renew all such permits and licenses from time to time to comply with the relevant laws and regulations. As of the Latest Practicable Date, our PRC Legal Advisors have advised us that there is no foreseeable material legal impediment to renewing our licenses, permits and certificates required for our operations.

The following table sets out a list of material licenses, approvals and permits currently held by us:

Entity	Name of the license, approval and permit	Expiry date
Our Company	Medical Device Production License	July 23, 2025
Anhui Imaging Union	Medical Device Production License	December 26, 2027
Our Company	Filing for Operation of Medical Devices	N/A
Anhui Imaging Union	Filing for Operation of Medical Devices	N/A
Our Company	Medical Device Registration Certificate–medical image processing software	July 7, 2025
Our Company	Medical Device Registration Certificate–in the ear hearing aid	February 28, 2027
Our Company	Medical Device Registration Certificate–lung nodule CT image-assisted detection software	April 22, 2028
Anhui Imaging Union	Medical Device Registration Certificate–medical electronic film software	November 17, 2029
Anhui Imaging Union	Medical Device Registration Certificate–medical image storage and transmission system software	June 19, 2028
Anhui Imaging Union	Value-added Telecommunication Business Operation Permit	November 26, 2026
Yinchuan Xunfei	Practicing License for Medical Institutions	August 17, 2027
Our Company	Internet Drug Information Service Qualification Certificate	May 16, 2029

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal and administrative proceedings and other disputes in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, save for the non-compliance incident set out below:

Non-compliance incident and reasons for non-compliance	Possible legal consequence and maximum liabilities	Latest status and remedial actions
During the Track Record Period, we failed to fully make social insurance and housing provident fund contributions primarily because of employees' unwillingness to pay the social insurance and housing provident funds in full as it requires additional contributions from our employees, and these payment standards also conformed to the payment standards and regulatory practices commonly implemented by enterprises in the industry and our operating location.	According to the relevant PRC laws and regulations: (i) with respect to social insurance, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts and if, and only if, we fail to do so, they may impose a maximum fine or penalty equivalent to three times the outstanding amounts. In 2021, 2022 and 2023, and the six months ended June 30, 2023 and 2024, the outstanding amount of our social insurance contribution was RMB6.2 million, RMB11.9 million and RMB12.7 million, RMB9.8 million and RMB8.3 million, respectively; and (ii) with respect to housing provident funds, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so.	We have established an internal control department to monitor our ongoing compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. We will regularly review and monitor the reporting and contributions of social insurance and housing provident fund and we will consult our PRC Legal Advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments. We undertake to maintain close communication with relevant authorities on a regular basis to understand their requirements and interpretation of relevant rules and regulations. In addition, we are in the process of communicating with our employees to seek their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from them, so that we are able to make contributions to social insurance and housing provident funds in accordance with further specific guidance from such relevant authorities in a timely manner.

During the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to any administrative penalties relating to social insurance and housing provident funds; (ii) we had not received any material complaints from our employees in respect of contribution to the PRC social insurance and housing provident funds; and (iii) we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls with respect to social insurance and housing provident funds. In addition, we have obtained certain confirmation letters issued by the relevant competent social insurance and housing provident fund authorities confirming that there is no record of any administrative disposition or penalties being imposed on any member of our group by the relevant authorities for violation of the relevant laws and regulations during the Track Record Period. We have consulted with the competent main local governmental authorities and obtained the following response: they would not (a) proactively initiate any regulatory action to compel us to make supplementary contributions if they have not received any material complaint from our employees or (b) impose any penalty on us if we are able to make contributions for our employees in the manner as required by the relevant government authorities as soon as practicable if we receive any notification from the relevant government authorities. Based on the above, as advised by our PRC Legal Advisors, assuming that (i) there is no material change to current PRC laws and regulations and the practice in policy implementation and inspection of local governments and (ii) we have not received any material complaint from our employees, the likelihood that we will be subject to make full contributions, overdue payments or be fined in relation to the aforementioned fact is remote.

AWARDS AND RECOGNITIONS

We have received awards and recognitions for the innovation and quality of our services and solutions. Representative awards and recognitions we received during the Track Record Period are set forth below:

Award/Recognition	Award year	Awarding Institution/Authority
First prize in National Science and Technology Progress Award (國家科學技術進步獎一等獎)	2024	State Council of China (中華人民共和國國務院)
Top ten benchmark AI-empowered scenarios in the Yangtze River Delta (長三角人工智能十大示範場景)	2024	Yangtze River Delta Entrepreneurs Union (長三角企業家聯盟) and Artificial Intelligence Industrial China Alliance in the Yangtze River Delta (長三角人工智能產業鏈聯盟)

Award/Recognition	Award year	Awarding Institution/Authority
National benchmark cases of Data Elements (國家"數據要素×"典型案例)	2024	National Data Administration, in collaboration with other departments (國家數據局會同相關部門)
Benchmark case of the comprehensive primary healthcare reform (基層衛生健康綜合改革案例)	2023	2023 Primary Healthcare Innovation and Development Conference (2023基層衛生創新發展大會)
First prize in the Healthcare Artificial Intelligence Category at the First National Digital Health Innovation Application Competition (第一屆全國數字健康創新應用大賽醫學人工智能主題賽一等獎)	2023	NHC (國家衛生健康委員會)
Key laboratory for medical AI research and application in Anhui Province (醫療人工智能研究及應用安徽省重點實驗室)	2023	Department of Science and Technology of Anhui Province (安徽省科學技術廳)
National Excellence Recognition in China Hospital Management Award (中國醫院管理獎智慧醫院—全國優秀獎)	2022	Organizing committee for China Hospital Management Award (中國醫院管理獎組委會)
First prize in the Intelligence Medical Insurance Solution Competition (智慧醫保解決方案大賽一等獎)	2022	NHSA
First prize in the Provincial Science and Technology Progress Award (省科學技術進步獎一等獎)	2022	Department of Science and Technology of Anhui Province (安徽省科學技術廳)
Shortlisted on the "Technology China" Leading Technology List ("科創中國"先導技術榜單)	2021	China Association for Science and Technology (中國科學技術協會)

Award/Recognition	Award year	Awarding Institution/Authority
Top ten benchmark AI-empowered scenarios in the Yangtze River Delta (長三角人工智能十大示範場景)	2021	World Artificial Intelligence Conference: Yangtze River Delta Intelligence Summit (世界人工智能大會長三角產業智能論壇)
Second prize in 2020 AIIA Cup Healthcare Artificial Intelligence Competition (2020AIIA杯人工智能醫療大賽二等獎)	2020	Organizing committee for 2020 AIIA Cup Healthcare Artificial Intelligence Competition (2020AIIA杯人工智能醫療大賽組委會)

Upon Listing, transactions between us and our connected persons will constitute our connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSON

The table below sets forth the connected persons of our Company involved in the connected transactions set out in this section and the nature of their connection with us:

Name of Connected Persons	Connected Relationship
iFlytek	iFlytek is our Controlling Shareholder
Lvliang Investment	Lvliang Investment is a substantial shareholder of Lvliang Xunfei, one of our non-wholly owned subsidiaries

SUMMARY OF THE TRANSACTIONS

			Proposed Annual Cap for the Year Ending December 31, *(RMB million)*		
Nature of Transaction	**Waiver Sought**	**Historical Amount**	**2024**	**2025**	**2026**
		(RMB in millions)			
One-off Connected Transaction					
1. Lease Agreement	N/A	N/A	N/A	N/A	N/A
Exempt Continuing Connected Transaction					
2. Trademark Licensing Framework Agreement	N/A	N/A	N/A	N/A	N/A
Non-exempt Continuing Connected Transactions					
3. Products Provision Framework Agreement	Announcement requirement	For the year ended December 31, 2021: 1.5 2022: 0.7 2023: 4.8 For the six months ended June 30, 2024: 2.2	5.0	8.0	11.0
4. Services and Products Procurement Framework Agreement	Announcement and independent shareholders' approval requirements	For the year ended December 31, 2021: 80.1 2022: 74.4 2023: 82.5 For the six months ended June 30, 2024: 51.5	82.0	97.0	113.0

Nature of Transaction	Waiver Sought	Historical Amount	Proposed Annual Cap for the Year Ending December 31, (RMB million) 2024	2025	2026
		(RMB in millions)			
5. Bidding Cooperation Framework Agreement	Announcement and independent shareholders' approval requirements	For the year ended December 31, 2021: 89.3 2022: 10.7 2023: 56.3 For the six months ended June 30, 2024: 6.1	60.0	32.0	30.0

ONE-OFF CONNECTED TRANSACTION

1. Lease Agreement

We entered into an agreement with iFlytek on October 1, 2024, pursuant to which iFlytek agreed to lease to us the premises with a total gross area of approximately 10,628.07 sq.m. located in Hefei, Anhui Province, the PRC, for our office use ("**Office Lease Agreement**"). The rent under the Office Lease Agreement, on an annual basis, are approximately RMB2.6 million, and shall be payable by us on a semi-annually basis. The Office Lease Agreements have a fixed term of two years and 3 months from October 1, 2024 to December 31, 2026. The value of the lease liabilities which includes the present value of the lease payment recognized by our Company according to IFRS 16 attributable to the office leases signed on October 1, 2024 amounted to approximately RMB5.10 million, as at October 31, 2024. The Office Lease Agreements were entered into: (i) in the ordinary and usual course of business of our Group; (ii) on arm's length basis, and (iii) on normal commercial terms with the rent and property management fee being determined with reference to, among others, the prevailing market rates for similar properties in the same area, the square meters rented.

In accordance with IFRS 16 "Leases," our Company recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from iFlytek, our Controlling Shareholder. As such, the transactions under the Office Lease Agreement will be recorded as an acquisition of a capital asset and a one-off connected transaction of our Group for the purpose of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent Shareholders' approval requirements with respect to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable.

EXEMPT CONTINUING CONNECTED TRANSACTION

2. Trademark Licensing Framework Agreement

Principal terms

We entered into a trademark licensing framework agreement with iFlytek on January 4, 2024 ("**Trademark Licensing Framework Agreement**"), pursuant to which iFlytek grants to our Company non-transferable licenses for the use of certain trademarks ("**Licensed Trademarks**") registered in PRC on a royalty-free basis for an initial term of 15 years commencing on January 4, 2024. For details of the Licensed Trademarks, "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. Intellectual Property Rights" in this prospectus.

Reasons for and benefits of the transaction

iFlytek is a leading AI company focuses on research of core AI technology including smart speech, natural language understanding, machine learning and reasoning and independent learning, whose shares have been listed on the Shenzhen Stock Exchange under the stock code of 002230 since May 2008. Our Group has been using these widely recognized Licensed Trademarks for business operations since our establishment. The Directors consider that the usage of iFlytek's Licensed Trademarks will enable our Company to leverage on the brand recognition, popularity and reputation of iFlytek and it is in the best interests of our Company and its Shareholders to continue to use the Licensed Trademarks upon Listing.

Historical amount

During the Track Record Period, we used the Licensed Trademarks on a royalty-free basis. Therefore, there was no historical transaction amount for the Trademark Licensing Framework Agreement during the Track Record Period.

Listing Rules implications

Pursuant to the Trademark Licensing Framework Agreement, we shall use the Licensed Trademarks on a royalty-free basis and therefore, the transactions under the Trademark Licensing Framework Agreement constitute de minimis transactions and are fully exempt from the annual reporting, announcement, independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. As required by Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in cases where nature of the transaction requires the agreement to be of a duration longer than three years. The Directors are of the view that the Trademark Licensing Framework Agreement was entered into on normal commercial terms and a longer duration of the agreement will avoid any unnecessary business interruption and help ensure the long-term stable business development and continuity of our market recognition, and it is normal business practice for trademark license agreement of similar type to be entered into for such duration. The Joint Sponsors agree with the Company's reasons for requiring a longer term for the Trademark Licensing Framework Agreement and are of the view that entering into such agreement with a term of over three years is in line with normal business practice.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have conducted the following transactions in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and independent Shareholders' approval requirements (as the case may be) under Chapter 14A of the Listing Rules ("**Non-exempt Continuing Connected Transactions**").

3. Products Provision Framework Agreement

Principal terms

We entered into a products provision framework agreement with iFlytek (for and on behalf of iFlytek Group) on December 10, 2024 ("**Products Provision Framework Agreement**"), pursuant to which our Group will provide our medical device products to iFlytek Group for resale at its self-managed offline stores and its own use such as employee benefits. The initial term of the Products Provision Framework Agreement shall commence on the Listing Date until December 31, 2026. Relevant subsidiaries of both parties will enter into separate underlying agreements and/or orders which will set out the specific terms and conditions according to the principals provided in the Products Provision Framework Agreement.

Reasons for and benefits of the Transaction

We have strategically expanded into the medical devices market to further promote our brand reputation and reach individual customers. During the Track Record Period, we have provided our AI healthcare products, primarily consists of hearing aids via e-commerce platforms, namely JD.com and Tmall, to end customers. For purpose of promoting our products through all channels, save for reaching customers through online channels, we also leveraged on iFlytek Group's broad offline coverage to expand our offline presence and improve customer experience. It is currently more cost-effective and practically feasible for our Group to liaise with iFlytek to expand our offline presence through its self-managed offline stores rather than maintain such offline stores by ourselves.

Pricing policies

The product fee to be paid by iFlytek Group to us will be determined through arm's length negotiations between the relevant parties taking into account factors including market price of the relevant products and the price offered by us for online sales. The pricing terms under the Products Provision Framework Agreement shall be in line with the market rates and in the best interests of our Company and our Shareholders as a whole.

Historical amounts

The transaction amounts in respect of the sale of the above products by us were approximately RMB1.5 million, RMB0.7 million, RMB4.8 million and RMB2.2 million for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively.

Annual caps

The transaction amounts in respect of the sale of the above products by us under the Products Provision Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 shall not exceed RMB5.0 million, RMB8.0 million and RMB11.0 million, respectively.

Basis of annual caps

In determining the annual caps for the transactions contemplated under the Products Provision Framework Agreement, we have considered, among other things, the following:

- the historical transaction amount and its historical growth, in particular, the transaction amount of RMB4.8 million for the year ended December 31, 2023, representing an approximately 585.7% growth as compared to the transaction amount in 2022; and

- the expected increasing sales amount of the hearing aids of our Group taking into consideration 1) the increasing popularity of our hearing aids. The sales revenue of our hearing aids through e-commerce platforms for the year ended December 31, 2023 increased by 578.4% as compared with that for the year ended December 31, 2022; and 2) the expected expansion of our offline presence, along with the expansion of iFlytek Group's offline presence.

Listing Rules implications

In respect of the transactions under the Products Provision Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2024, 2025 and 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting and announcement requirements under the Listing Rules.

4. Services and Products Procurement Framework Agreement

Principal terms

We entered into a services and products procurement framework agreement with iFlytek (for and on behalf of iFlytek Group) on December 10, 2024 ("**Services and Products Procurement Framework Agreement**"), pursuant to which iFlytek Group will provide various supporting and ancillary services and products to our Group, including but not limited to (i) supporting technology and software services including but not limited to information technology, cloud service, general supporting technology model and resources to facilitate the development of our technology carried out by our own employees and other ancillary or supporting services and products such as basic office automation system maintenance and warehouse management services; and (ii) supporting administrative services such as human resources services, and hotline consultation and post-sale services. The initial term of the Services and Products Procurement Framework Agreement shall commence on the Listing Date until December 31, 2026. Relevant subsidiaries of both parties will enter into separate underlying agreements and/or orders which will set out the specific terms and conditions according to the principals provided in the Services and Products Procurement Framework Agreement.

Reasons for and benefits of the Transaction

Our Group has been purchasing such services and products from iFlytek Group, a leading AI company focuses on research of core AI technology including smart speech, natural language understanding, machine learning and reasoning and independent learning, to satisfy our business and operational needs during the Track Record Period. Our Group and iFlytek Group have established a long-term and stable business relationship, owing to which, iFlytek Group has acquired a comprehensive understanding of our business and operational requirements. Taking into consideration our previous purchasing experience with iFlytek Group, our Directors believe that iFlytek Group is capable of fulfilling our demand efficiently and reliably with a stable and high quality supply of services and products, and entering into the Services and Products Purchasing Agreement would minimize disruption to our Group's operation and internal procedures.

Pricing policies

The service and product fee to be paid by us to iFlytek Group will be determined through arm's length negotiations between the relevant parties taking into account factors including nature, complexity and industry position of the services and products, transaction volume, anticipated costs borne by and fee rate of iFlytek Group, prevailing market price of comparable services and products, and shall be in line with fees offered by the iFlytek Group to Independent Third Parties (if applicable) or other members of iFlytek Group for similar services and products. The pricing terms under the Services and Products Procurement Framework Agreement shall be no less favorable than terms available to Independent Third Parties (if applicable) and the service and product fee is at least in line with the market rates (if any) and in the best interests of our Company and our Shareholders as a whole.

Historical amounts

The transaction amounts in respect of our procurement of the above services and products were approximately RMB80.1 million, RMB74.4 million, RMB82.5 million and RMB51.5 million for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively.

Annual caps

The transaction amounts in respect of our procurement of the above services and products under the Services and Products Procurement Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 shall not exceed RMB82.0 million, RMB97.0 million and RMB113.0 million, respectively.

Basis of annual caps

In determining the annual caps for the transactions contemplated under the Services and Products Procurement Framework Agreement, we have considered, among other things, the following:

- the historical transaction amount;

- the estimated demand for such services and products for the three years ending December 31, 2024, 2025 and 2026 to support the expected growth in our operational scale and continual development of our business along with the development of healthcare AI industry. According to Frost & Sullivan, the market size of the healthcare AI industry in China grew from RMB2.7 billion in 2019 to RMB8.8 billion in 2023, at a CAGR of 33.8%. It is expected to further grow to RMB315.7 billion in 2033 at a CAGR of 43.1%.

Listing Rules implications

In respect of the transactions under the Services and Products Procurement Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2024, 2025 and 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and the independent Shareholders' approval requirements under the Listing Rules.

5. Bidding Cooperation Framework Agreement

Principal terms

We entered into a bidding cooperation framework agreement with iFlytek (for and on behalf of iFlytek Group) on December 10, 2024 ("**Bidding Cooperation Agreement**"), pursuant to which the parties agree to cooperate with each other to bid for certain projects owned or initiated by Independent Third Parties ("**Projects**"). Subject to the terms and conditions of the Projects and in compliance with relevant laws and regulations, our Group and iFlytek Group may initiate the bidding and agree on the form of cooperation. Subject to requirements imposed by the Project owners, the form of cooperation may include: i) for the iFlytek Group to bid for the Projects and subcontract the parts of the Projects related to our principal business (the "**Group-related Parts**") to the Group. iFlytek Group and our Group will enter into arrangements for the provision of relevant products and services by our Group to iFlytek Group under the Projects; and ii) for our Group and iFlytek Group to jointly bid for the Projects. Our Group will be responsible for the Group-related Parts. The total consideration to be paid by the Project owners will be settled between iFlytek Group and our Group.

The initial term of the Bidding Cooperation Framework Agreement shall commence on the Listing Date until December 31, 2026. Relevant subsidiaries of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principals provided in the Bidding Cooperation Framework Agreement.

Reasons for and benefits of the transaction

While we typically undertake projects on our own, Project owners including government departments or their respective controlled enterprises may impose some specific requirements for the Projects such as requiring bidders to provide a wide spectrum of integrated service/products as a package, part of which may be beyond our business scope, or requiring the bidders to have local geographical coverage etc. Thus, it is not practically feasible or time-efficient for our Group to bid for such Projects by ourselves. However, if we cooperate with iFlytek Group and leverage on iFlytek Group's broad diversification of business and geographical coverage, our Group may participate in such Projects. The cooperation will provide our Group with more opportunities to participate in such Projects and our Group will be responsible for the Group-related Parts. Our Directors believe that such cooperation will not give rise to any business dependence or reliance issue between our Group and iFlytek Group. For details, see "Relationship with Our Controlling Shareholder — Operational Independence".

Pricing policies

The bidding quotation offered by iFlytek Group and/or our Group will be jointly determined by our Group and iFlytek Group taking into consideration Project scale, complexity, delivery time required and estimated costs and expense. Both parties agree that the Group-related Parts will be directed to us by iFlytek Group on a no profit basis. We will only enter into definitive agreement with iFlytek Group under the principals of the Bidding Cooperation Agreement when the terms are in the best interests of our Company and our Shareholders as a whole.

Historical amounts

The transaction amounts representing the fee we charged for the Projects (representing our revenue recognized from iFlytek Group in respect of the Projects) were approximately RMB89.3 million, RMB10.7 million, RMB56.3 million and RMB6.1 million for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively.

During the Track Record Period, subject to the types of products and services provided under the Projects and complexity of the Projects, the duration of such Projects (including quality assurance period) ranges six months to three years. The nature of the Projects is for iFlytek and/or our Group to provide products and/or services to the Project owner, under which, iFlytek mainly provided smart city and smart education related products and services while our Group provided healthcare AI related products and services including but not limited to our General Practice CDSS solution. Through collaboration between the Group and iFlytek Group, a total of 9, 6, 4 and 1 tender(s) for such Projects were placed with approximately 66.7%, 100%, 100% and 100% tender success rate during the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. The contract sum of the contracts entered into between the Group and the iFlytek Group and/or Project owner for the Projects launched during the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, amounted to approximately RMB43.5 million, RMB31.12 million, RMB37.15 million and RMB5.68 million, respectively.

Annual caps

The transaction amounts representing the fee we charge for the Projects (representing our revenue to be recognized from iFlytek Group in respect of the Projects) under the Bidding Cooperation Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 shall not exceed RMB60.0 million, RMB32.0 million and RMB30.0 million, respectively.

Basis of annual caps

In determining the annual caps for the transactions contemplated under the Bidding Cooperation Agreement for the three years ending December 31, 2026, we have considered primarily the historical transaction amount for the year ended December 31, 2023 which reached RMB56.3 million. In particular, in respect of the annual cap for the year ending December 31, 2024, the Company takes into consideration i) the historical transaction amount for the year ended December 31, 2023; ii) based on our review of the progress and status of our Project pipeline, our Group expects to generate a total revenue of approximately RMB4.1 million from such existing Projects for the year ending December 31, 2024; iii) we have been discussing with iFlytek Group to cooperate to bid for certain Projects. Based on our preliminary estimation of the Project scale and progress, we expect to recognize a total of approximately RMB45.0 million revenue from these Projects; and iv) any other Projects for which our Group and iFlytek Group may cooperate to bid from time to time within year of 2024. When determining the annual cap for the year ending December 31, 2025 and 2026, the Company takes into consideration, among others, the expected expansion of geographical coverage by our Group along with the business development of our Group which is expected to result in the decrease of the annual caps as we will have more local offices, staff and resources to undertake projects on our own so that the Group will be engaged in bidding cooperation with iFlytek Group to a lesser extent.

Listing Rules implications

In respect of the transactions under the Bidding Cooperation Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2024, 2025 and 2026 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and the independent Shareholders' approval requirements under the Listing Rules.

INTERNAL CONTROL MEASURES

Our Group has an independent internal control, accounting and financial management system as well as an independent finance department which makes financial decisions according to our Group's own business needs. See "Relationship with Our Controlling Shareholder" for further details of the independence of our Group.

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we will adopt the following internal control procedures:

- our various internal departments will be responsible for the control and daily management in respect of the continuing connected transactions;

- our various internal departments will be jointly responsible for evaluating the terms under the framework agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

- our various internal departments will regularly monitor the fulfillment status of the annual caps and the transaction updates under the framework agreements; and

- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreements, on normal commercial terms and in accordance with the relevant pricing policies.

CONFIRMATION BY DIRECTORS

The Directors (including independent non-executive Directors) are of the view that the above Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for such Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors are of the view that the above Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better which are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and the proposed annual caps in respect of such Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As the above Non-exempt Continuing Connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements (as the case may be) will be impractical, and such requirement will lead to unnecessary administrative costs and create an onerous burden on our Group. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules in respect of transactions contemplated under the Products Provision Framework Agreement, Services and Products Procurement Framework Agreement and Bidding Cooperation Agreement, provided that the total amount of such transactions for the three years ending December 31, 2024, 2025 and 2026 shall not exceed the proposed caps as set out in this section.

The independent non-executive Directors and auditors of our Company will review whether the actual transactions under Products Provision Framework Agreement, Services and Products Procurement Framework Agreement and Bidding Cooperation Agreement have been entered into pursuant to the principal terms and pricing policies under the Products Provision Framework Agreement, Services and Products Procurement Framework Agreement and Bidding Cooperation Agreement. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

OVERVIEW

Our Board consists of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. Our Supervisory Committee consists of three Supervisors. All our Directors, Supervisors and senior management meet the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions.

BOARD OF DIRECTORS

Brief information of our Directors is set out below:

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Dr. Tao Xiaodong (陶曉東)	51	Executive Director and General Manager	December 16, 2021	December 13, 2016	Responsible for the general management of our Group, including formulation of the general corporate business plans, strategies and major decisions	None
Dr. Liu Qingfeng (劉慶峰)	51	Non-executive Director and Chairman of the Board	December 16, 2021	December 16, 2021	Being responsible for the overall affairs of our Board and participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board	None
Mr. Zhao Zhiwei (趙志偉)	45	Non-executive Director	May 13, 2016	May 13, 2016	Participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board	None
Mr. Duan Dawei (段大為)	52	Non-executive Director	December 16, 2021	December 16, 2021	Participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board	None

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Prof. Wang Yang (汪揚)	61	Independent Non-executive Director	August 12, 2024	August 12, 2024	Supervising and offering independent judgment to the Board	None
Prof. Zhao Huifang (趙惠芳)	72	Independent Non-executive Director	January 25, 2024	January 25, 2024	Supervising and offering independent judgment to the Board	None
Mr. Tan Ching (談慶)	60	Independent Non-executive Director	January 25, 2024	January 25, 2024	Supervising and offering independent judgment to the Board	None

Executive Director

Dr. Tao Xiaodong (陶曉東), aged 51, joined our Group in December 2016 and has since then served as the General Manager of our Company. Dr. Tao was appointed as a Director in December 2021 and was further appointed as an executive Director in January 2024. Since May 2019, Dr. Tao has also served as a director of Anhui Imaging Union, one of our subsidiaries. Dr. Tao has over 19 years of experience in healthcare, AI technology and management. Prior to joining our Group, Dr. Tao consecutively served as a computer scientist at the Global Research Center and a China research manager at GE Healthcare China of General Electric Company (a company listed on the New York Stock Exchange under the stock code of GE) from February 2005 to May 2013. From June 2013 to December 2016, Dr. Tao consecutively served as the principal scientist at Philips Research China and chief solutions architect at Philips Healthcare Radiology Solutions of Koninklijke Philips Electronics N.V. (a company listed on the New York Stock Exchange under the stock code of PHG).

Dr. Tao holds positions in various healthcare and AI-related associations including serving as a senior member of the Institute of Electrical and Electronics Engineers since May 2014, a member of Chinese Innovative Alliance of Industry, Education, Research and Application of Artificial Intelligence for Medical Imaging (中國醫學影像AI產學研用創新聯盟) since 2018, a member of China Association of Medical Equipment Management Branch (中國醫學裝備協會管理分會) since 2018, a member of the Medical Artificial Intelligence Branch of the Chinese Society of Biomedical Engineering (中國生物醫學工程學會醫學人工智能分會) since January 2020, a member of Beijing Medical Association Health Management Branch (北京醫學會健康管理學分會) since 2019 and a member of the second session of Intelligent Medicine Professional Committee of Chinese Medical Doctor Association (中國醫師協會智慧醫療專業委員會) since June 2023. Dr. Tao has been appointed as an adjunct professor in biomedical engineering of University of Science and Technology of China (中國科學技術大學) since April 2021.

Dr. Tao obtained a bachelor of engineering degree in electrical engineering from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1995, a master of engineering degree in signal and information processing from Institute of Acoustics, Chinese Academy of Sciences (中國科學院聲學研究所) in the PRC in August 1998 and a doctoral degree in electrical and computer engineering from Johns Hopkins University in the United States in May 2005. Dr. Tao was qualified as a senior engineer (正高級工程師) by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源與社會保障廳) in November 2019, and was recognized as a "Leading Technical Talent of Anhui Province" (安徽省技術領軍人才) by Anhui Provincial Organization Department of Committee of the Communist Party of China (中國共產黨安徽省委組織部), the Department of Human Resources and Social Security of Anhui Province, Anhui Provincial Development and Reform Commission (安徽省發展和改革委員會) and Department of Science and Technology of Anhui Province (安徽省科學技術廳) in October 2018.

Non-executive Directors

Dr. Liu Qingfeng (劉慶峰), aged 51, is our non-executive Director and the chairman of the Board. Since December 2021, Dr. Liu has served as a Director and the chairman of the Board. Dr. Liu was further appointed as a non-executive Director in January 2024.

Dr. Liu has over 24 years of experience in AI technology and management. Dr. Liu founded iFlytek Group in June 1999 and has since then consecutively served as the president, a director and the chairman of the board of iFlytek. In addition, Dr. Liu has abundant experience in technology industry including serving as the executive director of Anhui Yanzhi Technology Co., Ltd. (安徽言知科技有限公司) since December 2019, a director of Beijing HongYun RongTong Technology Co., Ltd. (北京紅雲融通技術有限公司) since December 2020, the chairman of the board of Antelope Industrial Internet Co., Ltd. (羚羊工業互聯網股份有限公司) since September 2022, and a director of Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院控股有限公司) from July 2021 to October 2023. Dr. Liu has been a part-time professor and doctoral supervisor of University of Science and Technology of China (中國科學技術大學) since December 2019 and May 2010, respectively.

Dr. Liu has been a representative of the 10th, 11th, 12th, 13th and 14th session of the National People's Congress of the People's Republic of China (全國人大代表大會) since February 2003. He has also been a member of All-China Youth Federation (中華全國青年聯合會委員) since June 2005 and the president of Anhui Young Entrepreneurs Association (安徽省青年企業家協會) since August 2018. Dr. Liu was awarded the "Business Person of the Year" (年度經濟人物獎) by the China Central Television in December 2013 and the "100 Outstanding Private Entrepreneurs during the 40 Years of Reform and Opening" (改革開放40年百名傑出民營企業家) by the United Front Work Department of CPC Central Committee (中共中央統一戰線工作部) and All-China Federation of Industry and Commerce (中華全國工商業聯合會) in October 2018.

Dr. Liu obtained a bachelor of engineering degree in electrical engineering from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1995, a master of engineering degree in information and communication engineering from University of Science and Technology of China (中國科學技術大學) in the PRC in December 1998, and a doctor of engineering degree in information and communication engineering from University of Science and Technology of China (中國科學技術大學) in the PRC in December 2003.

Dr. Liu was a director of Beijing Xinyuan iFlytek Technology Co., Ltd. (北京信元訊飛科技有限公司, the "**Xinyuan iFlytek**"), a limited liability company established in the PRC, the registered business scope of which principally includes technology development of computer software and hardware. Xinyuan iFlytek was revoked on October 20, 2003 due to cessation of business operations. Dr. Liu has confirmed that, (i) there was no wrongful act on his part leading to the dissolution of Xinyuan iFlytek; (ii) he was not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of Xinyuan iFlytek; and (iii) Xinyuan iFlytek was not in operation and was solvent at the time of being revoked.

Mr. Zhao Zhiwei (趙志偉), aged 45, is our non-executive Director. Mr. Zhao has served as our Director since he joined our Group in May 2016, and has since then held directorships in various subsidiaries of our Company including Beijing Huiji, Yinchuan Xunfei, Lvliang Xunfei, Pu'er Xunfei until December 2023. Mr. Zhao was further appointed as a non-executive Director in January 2024. Mr. Zhao has served as a director of Anhui Imaging Union since August 2021. Mr. Zhao has over 23 years of experience in AI technology and management, he joined iFlytek Group in July 2000 and has since then consecutively served as speech synthesis researcher, director of speech synthesis R&D, R&D director, the deputy executive director of platform and embedded business division, Senior Vice President of iFlytek. In addition, Mr. Zhao has also served as the executive director of Xi'an iFlytek Super Brain Information Technology Co., Ltd. (西安訊飛超腦信息科技有限公司), a subsidiary of iFlytek, since June 2018, and a director of Kexun Jialian Information Technology Co., Ltd. (科訊嘉聯信息技術有限公司), a company owned by iFlytek as to 13.2%, since February 2016.

Mr. Zhao obtained a bachelor of science degree in theoretical and applied mechanics and a bachelor of engineering degree in computer science and technology from University of Science and Technology of China (中國科學技術大學) in the PRC in June 2000.

Mr. Duan Dawei (段大為), aged 52, is our non-executive Director. Mr. Duan joined our Group in December 2021 and has since then served as a director of our Company. Mr. Duan was further appointed as a non-executive Director in January 2024. Mr. Duan joined iFlytek Group in November 2017 and has since then consecutively served as the Chief Financial Officer, Vice President and director of iFlytek. Mr. Duan has also served as the chairman of the board and general manager of Tianjin iFlytek Finance Leasing Co., Ltd. (天津訊飛融資租賃有限公司), a subsidiary of iFlytek, since November 2019. Mr. Duan has over 30 years of experience in financial management, securities investment and international cooperation of large conglomerate groups. Mr. Duan's previous working experience includes: serving as the assistant of general manager of Jilin Chemical Industrial Group (吉林化工集團) from July 1993 to June 2000, the finance minister of Jilin Electronics Group (吉林省電子集團) from June 2000 to October 2003, and the Senior Vice President and financial director of SANY Group Co., Ltd. (三一集團有限公司) and SANY Heavy Industry Co., Ltd. (三一重工股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code of 600031) from December 2003 to November 2017. Mr. Duan has been a part-time master's tutor at the Shanghai National Accounting Institute (上海國家會計學院) and the School of Accounting of Dongbei University of Finance and Economics (東北財經大學會計學院) since May 2019.

Mr. Duan was awarded the "China's CFO of the Year" (中國CFO年度人物) by New Financial Management Magazine (新理財雜誌) in April 2008 and the "China Best CFO Leadership Award" (中國卓越CFO領導力大獎) by Korn Ferry (光輝國際), Shanghai National Accounting Institute (上海國家會計學院) and the Association of Charted Certified Accountants in September 2019.

Mr. Duan obtained a bachelor's and master's degree in economics from the Dongbei University of Finance & Economics (東北財經大學) in the PRC in July 1993 and November 1999, respectively, and a master's degree in business administration from the Missouri State University in the United States in July 2010.

Independent non-executive Directors

Prof. Wang Yang (汪揚), aged 61, is our independent non-executive Director. Prof. Wang was appointed as our independent non-executive Director on August 12, 2024 with effect from December 6, 2024.

Since joining the Hong Kong University of Science and Technology ("**HKUST**") in August 2014, Prof. Wang served as the head of the Department of Mathematics from August 2014 to October 2016, the dean of the School of Science from November 2016 to September 2020 and has served as the director of the HKUST Big Data for Biological Intelligence Laboratory and an associate director of the HKUST Big Data Institute since May 2016, as well as the Vice-President for Institutional Advancement since October 2020. Prof. Wang has been awarded the title of Chair Professor of Department of Mathematics at HKUST since August 2014. His other previous working experience includes consecutively serving as an assistant professor, an associate professor and a professor in mathematics, an adjunct professor of The Logistics Institute, an undergraduate director of the School of Mathematics, and an associate chair of the School of Mathematics at Georgia Institute of Technology from July 1989 to May 2007, serving as the department chair of Mathematics at Michigan State University from August 2007 to August 2014, and serving as a program director at the United States National Science Foundation from September 2006 to August 2007.

Prof. Wang obtained his bachelor's degree in mathematics from the University of Science and Technology of China (中國科學技術大學) in the PRC in July 1983, and his Master of Science degree and Doctorate of Philosophy degree in mathematics from Harvard University in the United States in June 1988 and March 1990, respectively.

Prof. Zhao Huifang (趙惠芳), aged 72, is our independent non-executive Director. Prof. Zhao was appointed as our independent non-executive Director on January 25, 2024.

Prof. Zhao has over 46 years of experience in accounting and financial management. Since July 1977, she has been with Hefei University of Technology (合肥工業大學), where she consecutively served as a teaching assistant in economics for six years, lecturer, associate professor and professor in accounting for over 40 years. In addition, Prof. Zhao has also consecutively served as deputy dean, dean and secretary of the party committee of the school of management of Hefei University of Technology from June 1990 to February 2011, the director of MBA/MPA management centre of Hefei University of Technology from May 2007 to February 2014, and the director of institute of financial management of Hefei University of Technology from July 2007 to February 2017.

Prof. Zhao has abundant working experience as a director and member/chairwoman of the audit committee of listed companies, including serving as: (i) an independent non-executive director and a member and the chairwoman of the audit committee of An Hui Wenergy Company Limited. (安徽皖能股份有限公司, a company listed on the Shenzhen Stock Exchange under the stock code of 000543) from June 2003 to May 2009, (ii) an independent non-executive director of Anhui Huilong Agricultural Means of Production Co., Ltd. (安徽輝隆農資股份有限公司, a company listed on the Shenzhen Stock Exchange under the stock code of 002556) from November 2009 to February 2015 and the chairwoman of its audit committee from December 2011 and February 2015, (iii) an independent non-executive director and the chairwoman of the audit committee of Anhui Jianghuai Automobile Group Co., Ltd. (安徽江淮汽車股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code of 600418) from March 2009 to July 2015, (iv) an independent non-executive director of Hefei Urban Construction Development Co., Ltd. (合肥城建股份有限公司, a company listed on the Shenzhen Stock Exchange under the stock code of 002208) from January 2009 to September 2015 and the chairwoman of its audit committee from February 2012 to September 2015, (v) an independent non-executive director of Hua'an Securities Co., Ltd. (華安證券股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code of 600909) from January 2013 to May 2019 and a member of its audit committee from March 2016 to April 2019, (vi) an independent non-executive director of Anhui Ankai Automobile Co., Ltd. (安徽安凱汽車股份有限公司, a company listed on the Shenzhen Stock Exchange under the stock code of 000868) from November 2015 to March 2022 and the chairwoman of its audit committee from October 2016 to March 2022, (vii) an independent non-executive director and a member of the audit committee of Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code of 600551) from November 2015 to January 2023, (viii) an independent non-executive director and the chairwoman of the audit committee of iFlytek Co., Ltd. (科大訊飛股份有限公司, a company listed on the Shenzhen Stock Exchange under the stock code of 002230) from January 2017 to January 2023, (ix) an independent non-executive director and a member of the audit committee of Weichai Power Co., Ltd. (濰柴動力股份有限公司, a company listed on the Hong Kong Stock Exchange under the stock code of 2338 and Shenzhen Stock Exchange under the stock code of 000338) from June 2020 to June 2023, (x) an independent non-executive director and a member of the audit committee of Anhui Gourgen Traffic Construction Co., Ltd. (安徽交通建設股份有

限公司, a company listed on the Shanghai Stock Exchange under the stock code of 603815) since April 2023 and (xi) an independent non-executive director and a member of the audit committee of Sinomach General Machinery Science & Technology Co., Ltd. (國機通用機械科技股份有限公司, a company listed on the Shanghai Stock Exchange under the stock code of 600444) since September 2019.

Prof. Zhao was granted a number of awards in the areas including accounting and financial management. The "Corporate Accounting" (《企業會計學》) of which she acted as editor-in-chief was granted the second prize for "Excellent Higher Education Textbooks" (全國普通高等學校優秀教材) by Ministry of Education of the People's Republic of China (中華人民共和國教育部) in October 2002 and her project named "Study on the Knowledge System of Management Professional Finance (Non-accounting) and Accounting" (管理類(非會計)專業財務與會計知識體系研究) was granted the first prize of "Anhui Provincial Outstanding Teaching Achievement Award" (安徽省優秀教學成果) by Department of Education of Anhui Province (安徽省教育廳) in March 2005. In addition, Prof. Zhao was granted the "Special Government Allowances" (安徽省政府特殊津貼) by Anhui Municipal People's Government (安徽省人民政府) in July 2008.

Prof. Zhao graduated in political theory from Hefei University of Technology (合肥工業大學) in the PRC in August 1977, engaged in advanced study of economics in Nanjing University (南京大學) in the PRC from September 1979 to July 1980, and completed study in teaching assistant program of Anhui University (安徽大學) focusing on economics in the PRC in November 1986, and she conducted collaborative research in accounting at the faculty of business of Kurume University in Japan from November 1998 to February 1999.

Mr. Tan Ching (談慶), aged 60, is our independent non-executive Director. Mr. Tan was appointed as our independent non-executive Director on January 25, 2024.

Mr. Tan has over 35 years of experience in technology industry, investment and management. His previous working experience includes: serving as (i) a manager in Shenzhen Electronics Group Co., Ltd. (深圳市賽格集團有限公司) from September 1988 to September 1992, (ii) an engineering manager in GE Healthcare U.S. of General Electric Company (a company listed on the New York Stock Exchange under the stock code of GE) from September 1994 to September 1999, (iii) an investment manager in Qifeng Fund (啟峰創投) from February 2000 to January 2001, (iv) a manager in Booz Allen Hamilton from January 2001 to March 2002, (v) a Vice President and General Manager of core imaging in GE Healthcare China of General Electric Company from March 2002 to December 2006, and (vi) director, General Manager and Chief Representative of China in Siguler Guff & Co., LLC from December 2006 to October 2012. In addition, Mr. Tan has served as (i) the general manager of Shanghai Jiachen Private Equity Fund Management Co., Ltd. (上海甲辰私募基金管理有限公司) since November 2012, (ii) a director of Power MED Limited (能金有限公司) since December 2014, (iii) a supervisor of Beijing Biomarker Technologies Co., Ltd. (北京百邁客生物科技有限公司) since June 2015, (iv) an executive director and general manager of Guangzhou Jinyongji Investment Consulting Co., Ltd. (廣州市金墉基投資諮詢有限公司) since November 2015, (v) an executive director and general manager of Shanghai Zhenjin

Investment Co. Ltd. (上海臻津投資有限公司) since December 2015, (vi) a director of Shenzhen Feisen Technology Co., Ltd. (深圳市菲森科技有限公司) since September 2016, (vii) a director of Biohit Healthcare (Hefei) Co., Ltd. (必歐瀚生物技術(合肥)有限公司) since January 2018, (viii) a non-executive director of Jenscare Scientific Co., Ltd. (寧波健世科技股份有限公司), a company listed on the Hong Kong Stock Exchange under the stock code of 9877, since March 2019, (ix) a director of HuidaGene (Shanghai) Biotechnology Co. Ltd. (輝大(上海)生物科技有限公司) since December 2019, (x) an executive director of Shanghai Jiachen Enterprise Management Consulting Co. Ltd. (上海迦辰企業管理諮詢有限公司) since July 2020, (xi) a director of Hangzhou Jieyi Biotechnology Co., Ltd. (杭州傑毅生物技術有限公司) since January 2021, (xii) an executive director of Shanghai Fichen Investment Management Co., Ltd. (上海斐辰投資管理有限公司) since January 2021, (xiii) an executive director and general manager of Shanghai Chenxu Enterprise Management Consulting Co., Ltd. (上海辰續企業管理諮詢有限公司) since August 2021, (xiv) a director of Creative Biosciences (Guangzhou) Co., Ltd. (廣州康立明生物科技股份有限公司) since September 2021, (xv) a director of Hangzhou Ezgene Technology Co., Ltd. (杭州易速微控基因技術有限公司) since January 2022, (xvi) a director of BMC Medical Co., Ltd. (北京怡和嘉業醫療科技股份有限公司), a company listed on the Shenzhen Stock Exchange under the stock code of 301367, since September 2018, (xvii) a director of Shanghai Wancheng Biotechnology Co., Ltd. (上海綰塍生物科技有限公司) since January 2022, (xviii) a director of Shenzhen Congheng Technology Co., Ltd. (深圳市聰衡科技有限公司) since October 2022.

Mr. Tan was recognized as (i) a "the Healthcare Investor of the Year (Excellence Ranking List)" (卓悅榜–年度醫療健康投資人) by Haoyue Capital (浩悅資本) in March 2020, March 2021, April 2022 and April 2023, (ii) a "Top Ten Elite IVD Investors of the Year" (Top 10年度IVD精英投資人) by Chujie Technology (觸界科技) in December 2021, (iii) a "Top 100 China Investors" (投資界TOP 100投資人) by Zero2IPO Holdings Inc. (清科創業控股有限公司) in August 2022 and July 2023, and (iv) a "Top 100 China's Best Venture Investor of Year 2022-2023" (2022-2023年度中國最佳創業投資人Top 100) by CVCapital (投中資本) in November 2023.

Mr. Tan obtained a master's degree in business management from University of Chicago the U.S. in March 2000.

BOARD OF SUPERVISORS

Brief information of our Supervisors is set out below:

Name	Age	Position	Date of appointment as Supervisor	Date of joining our Group	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. Zhang Xuanxuan (張旋旋)	36	Supervisor and chairwoman of the Supervisory Committee	December 16, 2021	March 26, 2021	Supervising the operating and financial activities of our Group	None
Ms. Sheng Yan (盛豔)	35	Supervisor	December 16, 2021	July 26, 2021	Supervising the operating and financial activities of our Group	None
Mr. Gui Yajun (桂雅駿)	34	Supervisor	June 2, 2022	May 13, 2016	Supervising the operating and financial activities of our Group	None

Ms. Zhang Xuanxuan (張旋旋), aged 36, is the chairwoman of our Supervisory Committee and the strategic operation department officer of our Company. Ms. Zhang joined our Group in March 2021 and has since December 2021 served as a supervisor and the strategic operation department officer of our Company. Prior to joining our Group, Ms. Zhang served as a quality management engineer of iFlytek from July 2011 to January 2018.

Ms. Zhang obtained a bachelor of engineering degree in medical software development from Anhui University of Chinese Medicine (安徽中醫藥大學) in the PRC in June 2011. Ms. Zhang was qualified as a Senior Information System Project Manager (高級信息系統項目管理師), by the Department of Human Resources and Social Security of Anhui Province (安徽省人力資源與社會保障廳) in May 2015 and was awarded the qualification of Project Management Professional by the Project Management Institute of the United States in September 2017.

Ms. Sheng Yan (盛豔), aged 35, is our Supervisor and the deputy financial manager of our Company. Ms. Sheng joined our Group in July 2021 and has since then consecutively served as the financial manager of our smart healthcare business division and the deputy financial manager of our Company. Ms. Sheng was appointed as a Supervisor in December 2021. Ms. Sheng has also served as the financial director of Anhui Imaging Union since August 2021. Prior to joining our Group, Ms. Sheng consecutively served as the financial manager of iFlytek from July 2017 to September 2018 and served as the operation management manager of iFlytek from September 2018 to August 2020.

Ms. Sheng obtained a bachelor of management degree in accounting from Anhui University (安徽大學) in the PRC in June 2012. Ms. Sheng was recognized as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants in the PRC in March 2019.

Mr. Gui Yajun (桂雅駿), aged 34, is our Supervisor and senior system architect. Mr. Gui joined our Group in May 2016 and has since then served as the senior system architect of our Company. Mr. Gui has served as a Supervisor since June 2022.

Mr. Gui obtained a bachelor of engineering degree in computer science and technology from Hefei Normal University (合肥師範學院) in the PRC in July 2013 and a master of engineering degree in computer application technology from Anhui University (安徽大學) in the PRC in June 2016. Mr. Gui was awarded the qualification of Project Management Professional by the Project Management Institute of the United States in June 2019.

SENIOR MANAGEMENT

Brief information of our senior management is set out below:

Name	Age	Position	Date of appointment as senior management	Date of joining our Group	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Dr. Tao Xiaodong (陶曉東)	51	Executive Director and general manager	December 13, 2016	December 13, 2016	Responsible for the formulation of the general corporate business plans, strategies and major decisions	None

Name	Age	Position	Date of appointment as senior management	Date of joining our Group	Principal roles and responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Qian Jinping (錢金平)	39	Financial director	December 16, 2021	March 12, 2021	Responsible for financial management of our Group	None
Dr. Liu Wei (劉偉)	45	Board secretary	December 16, 2021	September 27, 2018	Responsible for the investment and financing as well as public relation affairs of our Group	None

Dr. Tao Xiaodong (陶曉東), is our executive Director and general manager. See "— Executive Director" in this section for the biographical details of Dr. Tao.

Mr. Qian Jinping (錢金平), aged 39, is our financial director. Mr. Qian joined our Company in March 2021 and has since then served as our financial director.

Mr. Qian has over 16 years of experience in auditing and financial management. He previously consecutively served as a project assistant and project manager of Crowe Certified Public Accountants Limited (國富浩華會計師事務所) from August 2007 to July 2010. Mr. Qian joined iFlytek Group in August 2010 and has since then served as the financial manager and supervisor of Anhui iFlytek Jiecheng Information Technology Co., Ltd. (安徽訊飛皆成信息科技有限公司), a subsidiary of iFlytek, from August 2010 to March 2013 and the accounting manager, sharing center manager, deputy general manager of the sharing finance department and general manager of business finance department of iFlytek from March 2013 to March 2021, being responsible for, among others, the financial management of our Group.

Mr. Qian graduated in accounting from Shihezi University (石河子大學) in the PRC in August 2007 and obtained a master's degree in business administration from Arizona State University in the United States in May 2022. Mr. Qian obtained qualification of intermediate accountant (中級會計師證) from Department of Human Resources and Social Security of Anhui Province (安徽省人力資源和社會保障廳) in January 2013.

Dr. Liu Wei (劉偉), aged 45, is the Board secretary and the joint company secretary. Dr. Liu has been responsible for investment, financing, strategy planning, marketing and corporate matters of our Group since September 2018 and has served as the Board secretary since December 2021. Dr. Liu has over 14 years of experience in investment, financing and marketing. Dr. Liu's previous working experience includes: working in Institute of Military Medicine of the Academy of Military Sciences (中國人民解放軍軍事科學院軍事醫學研究院) from June 2009 to March 2017, serving as the marketing director of the Institute of Software of Chinese Academy of Sciences (中國科學院軟件研究所) from March 2017 to October 2017, serving as the marketing director of Guangzhou Perception Vision Medical Technology Co., Ltd. (廣州柏視醫療科技有限公司) from October 2017 to September 2018, and the marketing director of Zhongke iFlytek Interconnection (Beijing) Information Technology Co., Ltd. (中科訊飛互聯(北京)信息科技有限公司), from September 2018 to October 2021.

Dr. Liu obtained a bachelor of arts degree in foreign language and literature (English) from Chinese People's Liberation Army Academy of International Relations (中國人民解放軍國際關係學院) in the PRC in July 2002, a master's degree in philosophy from Chinese People's Liberation Army Nanjing Institute of Politics (中國人民解放軍南京政治學院) in June 2009 and a doctor of science degree in military preventive medicine from Chinese People's Liberation Army Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院) in the PRC in June 2016.

JOINT COMPANY SECRETARIES

Dr. Liu Wei (劉偉) is the Board secretary and was appointed as the joint company secretary of our Company on January 25, 2024 with effect from November 19, 2024. See "— Senior Management" above for the biographical details of Dr. Liu.

Ms. Yeung Siu Lam (楊兆琳) was appointed as the joint company secretary on January 25, 2024 with effect from November 19, 2024. Ms. Yeung is a manager of corporate services of Tricor Services Limited with more than six years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Yeung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Ms. Yeung obtained a bachelor's degree in Arts from The University of Hong Kong (香港大學) in December 2016 and a master's degree in corporate governance from The Hong Kong Metropolitan University (香港城市大學) in November 2020.

BOARD COMMITTEES

Our Company has established three Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the corporate governance practice under the Listing Rules, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee of our Company consists of three members, namely, Prof. Zhao Huifang (趙惠芳), Prof. Wang Yang (汪揚) and Mr. Duan Dawei (段大為). Prof. Zhao Huifang (趙惠芳) is the chairwoman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and supervise our financial reporting process, including:

(a) to make recommendations to the Board on the appointment, replacement and removal of the external auditor, to consider and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

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

(c) to develop and implement policy on engaging an external auditor to provide non-audit services;

(d) to monitor internal audit system of our Company and ensure the implementation of such systems;

(e) to facilitate communications between the internal audit department and external auditors;

(f) to review the financial information and relevant disclosures of our Company; and

(g) to monitor our Company in respect of financial reporting system, risk management and internal controls system.

Remuneration Committee

The Remuneration Committee of our Company consists of three Directors, including Prof. Zhao Huifang (趙惠芳), Mr. Zhao Zhiwei (趙志偉) and Mr. Tan Ching (談慶). Prof. Zhao Huifang (趙惠芳) is the Chairwoman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee include:

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

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

(c) to make recommendations to the Board on the remuneration packages of the executive Director and senior management or to determine, with delegated responsibility, the remuneration packages of the executive Director and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation 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 our Group;

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

(g) to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

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

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

Nomination Committee

The Nomination Committee of our Company consists of three members, Dr. Liu Qingfeng (劉慶峰), Prof. Zhao Huifang (趙惠芳) and Mr. Tan Ching (談慶). Dr. Liu Qingfeng (劉慶峰) is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include:

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

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

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

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the Chief Executive Officer).

CONFIRMATION FROM OUR DIRECTORS

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 23, 24 or 25, 2024 and July 24, 2024, respectively, and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules and further confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

REMUNERATION OF DIRECTORS AND SUPERVISORS

The aggregate amount of remuneration paid to our Directors and Supervisors (including directors' fee, salaries and other benefits, discretionary bonus, retirement benefit scheme contributions and equity-settled share-based payments) for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 were approximately RMB14.4 million, RMB31.9 million, RMB32.2 million and RMB10.9 million, respectively. Further information on the remuneration of each Director and Supervisor during the Track Record Period is set out in Appendix I to this Prospectus.

For each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, the aggregate amount of directors' fee, salaries and other benefits, discretionary bonus, retirement benefit scheme contributions and equity-settled share-based payments of the five highest-paid individuals of our Group were approximately RMB21.1 million, RMB51.0 million, RMB51.0 million and RMB17.1 million, respectively.

During the Track Record Period, no remuneration was paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, no compensation was paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind. Save as disclosed above, no other payments were paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

Under the arrangement currently in force, the aggregate amounts of remuneration payable by our Company to our Directors and Supervisors for the year ending December 31, 2024 to be approximately RMB25.55 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

DIRECTORS' AND SUPERVISORS' INTEREST

Save as disclosed in this Prospectus, none of our Directors and Supervisors (i) held any other positions in our Company or any other members of our Group as of the Latest Practicable Date; (ii) had any other relationship with any Directors, Supervisors, senior management or Controlling Shareholder of our Company as of the Latest Practicable Date; and (iii) held any directorship in any other listed companies in the three years immediately prior to the date of this Prospectus.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers from Strict Compliance with the Listing Rules" in this Prospectus.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain high standard of corporate governance, the Board has adopted a board diversity policy (the "**Board Diversity Policy**"). The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board currently consists of six male members and one female member, with one executive Director, three non-executive Directors and three independent non-executive Directors, of ages ranging from 44 to 71. We consider that our Board has a balanced mix of skill-set including AI technology, healthcare, management, mathematics, accounting etc., experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. In addition, our senior management team currently consists of two male members and one female member.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules after the Listing.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rules 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus, or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this Prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters under Rule 13.10 of the Listing Rules.

Our compliance adviser will, in a timely manner, inform us of any amendments or supplements to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to our Group. The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date when we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

OVERVIEW

As of the Latest Practicable Date, iFlytek was interested in approximately 52.47% of the total issued share capital of our Company. Immediately following the completion of the Global Offering, iFlytek will be interested in approximately 49.42% of our total issued share capital (assuming the Over-allotment Option is not exercised) or approximately 48.99% of our total issued share capital (assuming the Over-allotment Option is exercised in full). Therefore, iFlytek will remain as our Controlling Shareholder upon the Listing.

OUR RELATIONSHIP WITH IFLYTEK GROUP

Our Principal Business

We are committed to empowering the healthcare industry with AI technologies and realizing large-scale commercialization of healthcare AI solutions in China. Our focus is to develop healthcare AI products and solutions to address the needs of the PHC institutions and hospitals, patients and residents, as well as regional healthcare administrators. See "Business" section of this prospectus for more details.

Principal Business of iFlytek Group

iFlytek is a leading AI company focused on research of core AI technology including smart speech, natural language understanding, machine learning and reasoning and independent learning, whose shares have been listed on the Shenzhen Stock Exchange under the stock code of 002230 since May 2008. As of June 30, 2024, iFlytek has eight major business segments, including education, smart city open platform and customer, operator, smart vehicles, smart healthcare, smart finance and others.

Delineation of Business

Our Group is the only member of iFlytek that is engaged in healthcare AI related business. There's a clear delineation between our business and those of the iFlytek Group. While we typically undertake projects on our own, Independent Third Parties may impose some specific requirements for the Projects such as requiring bidders to provide a wide spectrum of integrated service/products as a package, part of which may be beyond our Group's business, or requiring the bidders to have local geographical coverage etc. iFlytek Group and our Group cooperated with each other to bid for such projects ("**Project**"), and all our business related parts of the Projects are undertaken by our Group. On December 10, 2024, iFlytek Group and our Group entered into the Bidding Cooperation Agreement, pursuant to which parties agree to cooperate with each other to bid for the Projects and our Group will be responsible for all parts of the Projects which are related to our business. During the Track Record Period, we have mainly provided our hearing aids to individual customers via e-commerce platforms, namely JD.com and Tmall. Our own offline sales is at preliminary stage, the sales revenue from our own offline sales amounted to nil, RMB0.07 million, RMB1.21 million and RMB0.005 million, representing nil, 1.03%, 2.40% and 0.2% of our total sales revenue of medical device products for the year ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. Considering that online sales and offline sales are complementary in nature, and the cost to maintain our own self-management offline stores, our Group decided to leverage on iFlytek Group's broad offline coverage to explore the potential of self-management offline stores and expand our offline presence. During the Track Record Period, our online sales channel is the primary channel for the sales of our medical device products. Our medical device products procured by iFlytek Group under the Products Provision Framework Agreement are for resale at its self-managed offline stores (the "**iFlytek Offline Sales**") and its own use such as employee benefits. The sales revenue generated from sales of our medical device products at iFlytek's self-managed offline stores under the Products Provision Framework Agreement represents approximately nil, nil and 1.03% and 2.50% of our total sales revenue of medical device products for the year ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. While the expected caps under the Products Provision Framework Agreement is expected to increase in line with the increasing popularity of our medical device products, we expect that such revenue contribution from iFlytek Group as a percentage of our total sales revenue of medical device products will decline in the near to mid term and the sales revenue generated from sales of our medical device products at iFlytek's self-managed offline stores will remain at an insignificant level. iFlytek Group acts as an offline sales channel in respect of our medical device products and is not engaged in the sales of any products which are or may be in competition with our products. In addition, the pricing of our medical device products sold at self-managed offline stores of iFlytek Group is set by our Group and prior approval from our Group is required for any offline promotion event offering pricing discount or introduction of additional self-managed offline stores of iFlytek Group to resell our medical device products. Nevertheless, we are not and will not be bound to cooperate with iFlytek Group unless we consider it is in the interest of our Company and our Shareholders as a whole. Our Group will require iFlytek Group to cease sales of our Group's medical device products at its self-managed offline stores if our Group opens our own self-managed offline stores in the same city. The sales revenue generated from sales of our medical device products at iFlytek's self-managed offline stores under the Products Provision Framework Agreement represents approximately only nil, nil, 0.097% and 0.31% of our revenue for the year ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. On December 10, 2024, iFlytek Group and our Group entered into the Products Provision Framework Agreement, pursuant to which our Group will provide our medical device products to iFlytek Group for resale and its own use. See "Connected Transactions" for further details.

As our Group is the only member of iFlytek that is engaged in healthcare AI related business, all our business related parts of the Projects are undertaken by our Group and iFlytek is not engaged in the sales of any products which are or may be in competition with our products, and considering factors above including the measures in place, the sales volume, the cooperation mechanism etc., our Directors believe that the principal businesses of our Group do not, and are not likely to, compete with the businesses of iFlytek Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholder and its close associates after the Listing.

Management Independence

Our Board consists of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors.

Despite our non-executive Directors also holding directorships or senior management positions in iFlytek Group, our Directors believe that our Company and our management team are able to operate our Company's business independently from iFlytek, our Controlling Shareholder, due to the following reasons:

(i) The daily operation of our Company is managed by our experienced senior management team and overseen by our sole executive Director, Dr. Tao Xiaodong:

(a) our sole executive Director, Dr. Tao Xiaodong, has extensive experience in healthcare, AI technology and management. He oversees and manages the day-to-day operation of our Company with support from our Company's experienced senior management team and is responsible for our business operation. As at the Latest Practicable Date, Dr. Tao Xiaodong does not hold any directorship or senior management position in iFlytek Group;

(b) out of the seven Directors of our Company, three non-executive Directors holds directorship and/or senior management positions in iFlytek Group, namely Mr. Liu Qingfeng, Mr. Zhao Zhiwei and Mr. Duan Dawei, details of which are set out below. However, as non-executive Directors, they do not participate in our daily operation and management of our Group and only participate in the decision-making process of significant matters, such as our operational strategy.

Name	Positions in iFlytek Group
Dr. Liu Qingfeng	Chairman of the board
Mr. Zhao Zhiwei	Senior Vice President
Mr. Duan Dawei	Director, Senior Vice President and Chief Financial Officer

Other than as stated above, none of our Directors hold any directorship or senior management position in iFlytek Group.

(ii) Each of our Directors is fully aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist.

(iii) Our Directors believe that our Board has a balanced composition of executive Director, non-executive Directors and independent non-executive Directors which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors account for more than one-third of the Board; (b) our independent non-executive Directors do not and will not take up any position in iFlytek Group; and (c) our independent non-executive Directors, details of whom are set out in the section headed "Directors, Supervisors and Senior Management" in this prospectus, together possess the requisite knowledge, expertise and experience for their views to carry weight. In conclusion, the Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interest of our Company and our Shareholders as a whole.

(iv) Upon Listing, our Company will establish the following corporate governance measures to avoid any potential conflicts of interest as a result of the overlapping of Directors between us and iFlytek Group. Therefore, the Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Shareholders as a whole:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that Directors who are connected with the corporations involved in the matters to be resolved at the Board meeting shall neither vote on such resolution nor vote on behalf of other Directors;

(b) the independent non-executive Directors of our Company shall give their independent opinions to the Shareholders on the relevant connected transaction(s) pursuant to the Listing Rules;

(c) our Directors shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal with iFlytek Group in which they have a material interest. In such a situation, our Directors who do not have any ongoing role in iFlytek Group will vote and decide on such matters. In this context, a conflict, so far as our Company is concerned, will be taken to include any matter in which iFlytek Group has a direct or indirect interest;

(d) any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and

(e) our Company has appointed Somerley Capital Limited as our compliance advisor and will appoint a Hong Kong legal advisor upon Listing, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Therefore, the Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Based on the above, the Directors believe that our management team is independent from the Controlling Shareholder that our Company can operate its business independently from our Controlling Shareholder, and that all of our Directors have relevant experience and ability to ensure proper and effective operation of the Board.

Operational Independence

Although iFlytek will retain a controlling interest in our Company upon Listing, we believe that we can operate our business independently from iFlytek Group due to the following reasons:

- we hold and enjoy the benefit of all relevant qualifications and licenses necessary to operate our business;

- we have a sufficient level of operations, assets, facilities, technologies and employees including research and development employees to support our own listing status and to operate and function independently from iFlytek Group;

- we also maintain a comprehensive set of internal control procedures for facilitating the effective operation of our business. With reference to the relevant laws, regulations and rules, we have developed sound corporate governance practice and have adopted our rules of procedure for general meetings, rules of procedure for Board meetings and connected transactions regulations;

- we have our own financial department, human resources and administration department and audit department. These departments are led and supervised by our own senior management team. Our senior management report to the Board and make decisions and form business plan and strategies independently from iFlytek Group. In addition, we have our own internal financial procedures and prepare our own financial budget independently; and

- we have also adopted a set of corporate governance measures and internal control procedures to maintain effective and independent operation. See the corporate governance measures stipulated under "— Management Independence" and "— Corporate Governance Measures" in this section.

We have entered into a number of transactions with iFlytek Group. See "Connected Transactions" in this prospectus for further details of, and the reasons for entering into, these transactions.

Services and Products Procurement Framework Agreement and Products Provision Framework Agreement

We entered into the Services and Products Procurement Framework Agreement with iFlytek Group, pursuant to which, we will purchase from iFlytek Group various supporting and/or ancillary services and products including (i) supporting technology and software services including but not limited to information technology, cloud service, technology model and resources, and other ancillary or supporting services and products such as basic office automation system maintenance and warehouse management services; and (ii) supporting administrative services such as human resources services, and hotline consultation and post-sale services. For details, see "Connected Transactions — Non-exempt Continuing Connected Transactions — 5. Services and Products Procurement Framework Agreement." The services provided by iFlytek Group do not involve decision-making or strategic thinking, most of them are charged based on volume and/or cost incurred, and it is more cost-effective for our Group to purchase such supporting, procedural or commoditized services from iFlytek Group. Such services provided by iFlytek Group to us are ancillary in nature and/or available from an Independent Third Party in the market as advised by Frost & Sullivan. In particular, our core technologies including NLP model, medical knowledge graphs, LLM, medical speech recognition abilities, CLU, medical reasoning capabilities, self-reinforcing capabilities, multi-round interaction and multimodal interaction and Xunfei Spark Medical Model, our self-developed domain-specific LLM, are independently developed, owned and maintained by our Group. To cater for our own business nature and needs, our R&D employees independently developed our own medical speech recognition abilities based on the general technology model of iFlytek Group. See "Business — Technology." In addition to our core technologies, we also develop certain non-core and ancillary technologies leveraging on the software and resources of iFlytek Group to lower the cost for such development. Such model, software and resources of iFlytek Group are general in nature and are available on the market as advised by Frost & Sullivan. Considering the fee charged by iFlytek Group, its leading position in speech recognition and the duration of our cooperation during which iFlytek Group has acquired a comprehensive understanding of our business and operational requirements, our Group decided to leverage on the model, software and resources of iFlytek Group.

In addition, we entered into the Products Provision Framework Agreement, pursuant to which our Group will provide our medical device products to iFlytek Group for resale at its self-managed offline stores and its own use such as employee benefits. For details, see "Connected Transactions — Non-exempt Continuing Connected Transactions — 4. Products Provision Framework Agreement." For purpose of promoting our products through all channels, and considering the broad offline coverage of iFlytek Group and the cost to maintain offline stores, it is natural and in the best interests of our Company and our Shareholders as a whole to liaise with iFlytek Group's broad offline coverage to expand our offline presence and improve customer experience. Nevertheless, we are not and will not be bound to cooperate with iFlytek Group unless we agree to do so. In each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, our Group's revenue attributable to products provided to iFlytek Group amounted to RMB1.5 million, RMB0.7 million, RMB4.8 million and RMB2.2 million, accounting for only 0.41%, 0.14%, 0.85% and 0.95% of the total revenue of our Group, respectively.

As such, our Directors believe that entering into the Services and Products Procurement Framework Agreement and Products Provision Framework Agreement will not give rise to any business dependence or reliance issue for our Group and is in the interest of our Company and the Shareholders as a whole.

Bidding Cooperation Agreement

Among all the connected transactions, we have entered into the Bidding Cooperation Agreement with iFlytek Group, pursuant to which, parties agree to cooperate with each other to bid for the Projects and all our business related parts of the Projects are undertaken by our Group. Our Group's revenue attributing to such Projects amounted to RMB89.3 million, RMB10.7 million, RMB56.3 million and RMB6.1 million, accounting for 23.96%, 2.27%, 10.13% and 2.64% of the total revenue of our Group for each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively.

Given that i) we typically undertake projects on our own and are not and will not be bound to cooperate with iFlytek Group, unless we consider it is fair and reasonable to do so after taking into account factors including specific requirements from the project owner, project scale, complexity and estimated costs and expense and the bidding quotation; ii) we have independent customer base and access to customers as well as sales channel; iii) the expected caps under the Bidding Cooperation Agreement and the revenue contribution from the Projects are expected to decline; and iv) the transactions under the Bidding Cooperation Agreement are conducted in the ordinary and usual course of business of our Group and on normal commercial terms, our Directors believe that the connected transactions under the Bidding Cooperation Agreement will not give rise to any business dependence or reliance issue between our Company and iFlytek Group and is in the interest of our Company and the Shareholders as a whole.

Based on the above, our Directors are of the view that our Company operates independently from our Controlling Shareholder.

Financial Independence

We have established our own finance department with a team of independent financial staff who are responsible for our financial management, accounting, reporting, funding and internal control functions, which are independent from iFlytek Group. We are capable of making financial decisions independently according to our own needs, and iFlytek Group does not and will not interfere with our use of funds.

As at the Latest Practicable Date, our unutilized banking facilities granted by Independent Third Parties amounted to RMB343.3 million and there was no loan, guarantee or other form of financial assistance provided by iFlytek Group to our Company. Our Directors are of the view that we are capable of obtaining financing from external sources without reliance on iFlytek Group.

Based on the above, our Directors believe that we have the ability to conduct our business independently from iFlytek Group from a financial perspective and are able to maintain financial independence from iFlytek Group.

NON-COMPETITION UNDERTAKING

In order to limit the potential competition between iFlytek Group and our Group, a non-competition undertaking ("**Non-competition Undertaking**") dated January 2024 and as amended in December 2024, was provided by iFlytek in our favor, pursuant to which, among others, iFlytek Group undertook:

(i) Save for iFlytek Offline Sales which does not compete with our principal business or products in substance, iFlytek is not engaged in any business or activity which is similar to, competes or is likely to compete, in substance, with the principal business or products of our Group, and as long as iFlytek directly or indirectly controls our Company, iFlytek shall not control, either directly or indirectly, any corporation that is engaged in any business or activity which is similar to, competes or is likely to compete, in substance, with the principal business or products of our Group;

(ii) Save for iFlytek Offline Sales which does not compete with our principal business or products in substance, where any corporation (excluding our Group) controlled, either directly or indirectly, by iFlytek, is involved in any business or products which competes with the principal business or products of our Group in substance, iFlytek shall take actions to cease such competition by way of procuring such corporation to terminate such competing business, transfer such competing business to our Group, transfer the competing business to other independent third parties, or any other method; and

(iii) In the event that iFlytek and any other corporation controlled by iFlytek obtains any competing assets or equity investment, iFlytek shall grant our Company the pre-emptive right in respect of such assets or equity investment, the exercise of which is subject to our Company; where iFlytek and any other corporation controlled by iFlytek becomes aware of, notices, is recommended or provided with, a new competing business opportunity, subject to consent from third party (if applicable), iFlytek will use its best endeavours to facilitate our Company to obtain such opportunity.

CONFIRMATION

As of the Latest Practicable Date, none of our Directors was interested in any business which competes, or is likely to compete, directly or indirectly, with the business of our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholder:

(i) Where a Shareholders' meeting is held for considering proposed transactions in which our Controlling Shareholder has a material interest, our Controlling Shareholder shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting.

(ii) Where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting.

(iii) Our independent non-executive Directors will review any conflict of interest and/or potential competition between our Group and our Controlling Shareholder and the compliance with the Non-competition Undertaking, our Controlling Shareholder shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions on matters reviewed by independent non-executive Directors either in its interim/annual reports or by way of announcements.

(iv) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules.

(v) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules.

(vi) We have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholder and/or other Directors to protect minority Shareholders' right after Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company:

			As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised)[1]		
Name of Substantial Shareholder	**Type of Shares to be held after the Global Offering**	**Nature of Interest**	**Number of Shares**	**Approximate percentage in the total registered share capital of the Company**	**Number of Shares**	**Approximate percentage of shareholding in the relevant type of Shares**	**Approximate percentage in the total registered share capital of the Company**
iFlytek	Unlisted Shares	Beneficial owner	59,738,145	52.47%	29,869,072	68.54%	49.42%
	H Shares		–	–	29,869,073	38.64%	
Hefei Zhengsheng[2]	Unlisted Shares	Beneficial owner	19,473,294	17.11%	9,736,647	22.34%	16.11%
	H Shares		–	–	9,736,647	12.60%	
Mr. Lu Xiaoliang[2]	Unlisted Shares	Interest in controlled corporation	19,473,294	17.11%	9,736,647	22.34%	16.11%
	H Shares		–	–	9,736,647	12.60%	
Nanjing Zhengyang[2]	Unlisted Shares	Interest in controlled corporation	19,473,294	17.11%	9,736,647	22.34%	16.11%
	H Shares		–	–	9,736,647	12.60%	
Kexun Capital[3]	Unlisted Shares	Beneficial owner	17,448,567	15.33%	–	–	14.43%
	H Shares		–	–	17,448,567	22.57%	
Mr. Xu Jingming[3][4][5]	Unlisted Shares	Interest in controlled corporation	18,701,616	16.43%	626,524	1.44%	15.47%
	H Shares		–	–	18,075,092	23.38%	

Name of Substantial Shareholder	Type of Shares to be held after the Global Offering	Nature of Interest	As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised)(1)		
			Number of Shares	Approximate percentage in the total registered share capital of the Company	Number of Shares	Approximate percentage of shareholding in the relevant type of Shares	Approximate percentage in the total registered share capital of the Company
Kexun Ruijin(3)	Unlisted Shares	Interest in controlled corporation	17,448,567	15.33%	–	–	14.43%
	H Shares		–	–	17,448,567	22.57%	
Anhui Investment(3)	Unlisted Shares	Interest in controlled corporation	17,448,567	15.33%	–	–	14.43%
	H Shares		–	–	17,448,567	22.57%	
iFlytek Haihe(4)	Unlisted Shares	Beneficial owner	953,049	0.84%	476,524	1.09%	0.79%
	H Shares		–	–	476,525	0.62%	
Kexun Lianshan(5)	Unlisted Shares	Beneficial owner	300,000	0.26%	150,000	0.34%	0.25%
	H Shares		–	–	150,000	0.19%	
Mr. Hu Guoping	Unlisted Shares	Beneficial owner	4,479,871	3.94%	–	–	3.71%
	H Shares		–	–	4,479,871	5.80%	
Tianzheng Investment(6)	Unlisted Shares	Beneficial owner	3,900,000	3.43%	–	–	3.23%
	H Shares		–	–	3,900,000	5.05%	
China Merchants Industry Development (Shenzhen) Limited (招商局實業發展(深圳)有限公司) ("CM Industry")(6)	Unlisted Shares	Interest in controlled corporation	3,900,000	3.43%	–	–	3.23%
	H Shares		–	–	3,900,000	5.05%	

Name of Substantial Shareholder	Type of Shares to be held after the Global Offering	Nature of Interest	As of the Latest Practicable Date: Number of Shares	As of the Latest Practicable Date: Approximate percentage in the total registered share capital of the Company	Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised)(1): Number of Shares	Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised)(1): Approximate percentage of shareholding in the relevant type of Shares	Immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised)(1): Approximate percentage in the total registered share capital of the Company
China Merchants China Direct Investments Limited (招商局中國基金有限公司) ("CMCDI")(6)	Unlisted Shares	Interest in controlled corporation	3,900,000	3.43%	–	–	3.23%
	H Shares		–	–	3,900,000	5.05%	

Notes:

(1) The calculation is based on the assumption that immediately following the completion of the Global Offering, there will be (i) a total number of 43,581,121 Unlisted Shares in issue; and (ii) a total number of 77,297,112 H Shares (including 70,261,562 H Shares converted from Unlisted Shares without taking into consideration the exercise of Over-allotment Option) in issue.

(2) The general partner of Hefei Zhengsheng is Mr. Lu Xiaoliang. Nanjing Zhengyang holds 53.42% partnership interests in Hefei Zhengsheng. As such, each of Mr. Lu Xiaoliang and Nanjing Zhengyang is deemed to be interested in the Shares held by Hefei Zhengsheng.

(3) The general partner of Kexun Capital is Kexun Ruijin, which has appointed Mr. Xu Jingming (徐景明) as its representative and is ultimately controlled thereby. Anhui Investment holds approximately 49.83% partnership interests in Kexun Capital. As such, each of Mr. Xu Jingming, Kexun Ruijin and Anhui Investment is deemed to be interested in the Shares held by Kexun Capital.

(4) The general partner of iFlytek Haihe is Tianjin Kexun, and the general partner of Tianjin Kexun is Hefei Kexun which is ultimately controlled by Mr. Xu Jingming. See History, Development and Corporate structure — Information about the Pre-IPO Investors — iFlytek Haihe and Kexun Lianshan". As such, Mr. Xu Jingming is deemed to be interested in the Shares held by iFlytek Haihe.

(5) The general partner of Kexun Lianshan is Hefei Kexun which is ultimately controlled by Mr. Xu Jingming. See "History, Development and Corporate structure — Information about the Pre-IPO Investors — iFlytek Haihe and Kexun Lianshan". As such, Mr. Xu Jingming is deemed to be interested in the Shares held by Kexun Lianshan.

(6) Tianzheng Investment is wholly owned by CM Industry, which is wholly owned by CMCDI. As such, CM Industry and CMCDI are deemed to be interested in the Shares held by Tianzheng Investment.

Save as disclosed above and the section headed "Statutory and General Information – 4. Disclosure of Interest – Substantial Shareholders" of Appendix VI in this prospectus, our Directors are not aware of any other person who will have any interest and/or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OUR SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered share capital of our Company was RMB113,842,683, consisting of 113,842,683 Shares, with a nominal value of RMB1.00 each.

Upon the Completion of the Global Offering

Immediately after the Global Offering and conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Unlisted Shares	43,581,121	36.05%
H Shares to be converted from Unlisted Shares	70,261,562	58.13%
H Shares to be issued pursuant to the Global Offering	7,035,550	5.82%
Total	120,878,233	100.00%

Note: See "History, Development and Corporate Structure — Corporate Structure — Corporate structure immediately following completion of the Global Offering" for details of the identities of our Shareholders whose Shares will be converted into H Shares upon Listing.

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering and conversion of Unlisted Shares into H Shares will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Unlisted Shares	43,581,121	35.74%
H Shares to be converted from Unlisted Shares	70,261,562	57.62%
H Shares to be issued pursuant to the Global Offering	8,090,850	6.64%
Total	121,933,533	100.00%

Note: See "History, Development and Corporate Structure — Corporate Structure — Corporate structure immediately following completion of the Global Offering" for details of the identities of our Shareholders whose Unlisted Shares will be converted into H Shares upon Listing.

OUR SHARES

Upon completion of the Global Offering and conversion of Unlisted Shares into H Shares, our Shares will consist of Unlisted Shares and H Shares. Unlisted Shares and H Shares are both ordinary Shares under the same class in the share capital of our Company.

Our H Shares may only be subscribed for and traded in Hong Kong dollars. Our Unlisted Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, through Shanghai-Hong Kong Stock Connect, or through Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, our H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Our Unlisted Shares, on the other hand, can be purchased or transferred between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors.

We shall pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Unlisted Shares in RMB. See "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" for details of the circumstances under which general meetings of our Company are required. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of Unlisted Shares, dividends in the form of Shares will be distributed in the form of additional Unlisted Shares.

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this Prospectus and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Prospectus.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need to be filed with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Filing with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies which apply for the conversion of unlisted shares into H shares for listing and circulation on the Hong Kong Stock Exchange shall file with the CSRC by filing materials on key compliance issues. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering.

We applied for a "full circulation" filing when filing with the CSRC for an overseas listing on January 30 and May 17, 2024, and submitted the filing reports, authorization documents of the shareholders of Unlisted Shares which applied for the H-share "full circulation", undertaking on the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

We have received the filing notice from the CSRC dated July 19, 2024 in relation to the overseas listing and "full circulation", pursuant to which certain Shareholders ("**Full Circulation Participating Shareholders**") could convert 70,261,562 Unlisted Shares into H Shares on a one-for-one basis ("**Conversion of Unlisted Shares into H Shares**") upon the completion of the Global Offering ("**Full Circulation Application of the Company**").

Listing Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering, and the H Shares to be converted from 70,261,562 Unlisted Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the Conversion of Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

Domestic Procedures

The Full Circulation Participating Shareholders may only deal the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and listing:

i. We will appoint China Securities Depository and Clearing Corporation Limited ("**CSDC**") as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;

ii. We will engage a domestic securities company ("**Domestic Securities Company**") to provide services such as sending orders for trading of the converted H Shares and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company ("**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by Shenzhen Stock Exchange ("**SZSE**");

iii. The SZSE shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and transaction returns in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

iv. According to the Notice of SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Full Circulation Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share "Full circulation" at the Hong Kong Securities Company; and

v. The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Full Circulation Participating Shareholders in our Unlisted Shares shall be reduced by the number of the Unlisted Shares converted and the number of H Shares shall be increased by the number of converted H Shares.

Shareholder	Number of Shares to be converted to H Shares upon completion of the Global Offering	Number of Unlisted Shares upon completion of the Global Offering
iFlytek	29,869,073	29,869,072
Hefei Zhengsheng	9,736,647	9,736,647
Kexun Capital	17,448,567	0
Mr. Hu Guoping	4,479,871	0
Tianzheng Investment	3,900,000	0
Zibo Jizhi	696,000	1,044,000
Shanghai Shuiyao	600,000	900,000
Anhui Yanzhi	676,830	676,829
Gongqingcheng Huizhi	525,000	525,000
iFlytek Haihe	476,525	476,524
Hefei Tongchuang	750,000	0
Guoke Ruihua	750,000	0
Hainan Yuema	203,049	203,049
Kexun Lianshan	150,000	150,000

LOCK-UP PERIODS

In accordance with Article 160 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the Global Offering will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

The Company will work with the Domestic Securities Company to be engaged by the Company to restrict the trading of the H Shares converted from unlisted Shares technically within one year after the Listing. In the unlikely event that any Full Circulation Participating Shareholders trades their H Shares during such restriction period, as advised by the PRC Legal Advisors, there will be no administrative penalty on the Company under the PRC laws and regulations but there is risk that the underlying agreement for the transfer of such H Shares may be declared void pursuant to the Civil Code of the People's Republic of China.

Our Directors, Supervisors and members of senior management shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in the Company. The Shares that the aforementioned persons held in the Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in the Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of senior management.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration in accordance with the relevant business rules of CSDC. And H-share companies should submit relevant status reports to the CSRC within 15 days after the shares involved in the application completing the transfer registration in CSDC.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders (i) increase its capital or decrease its capital or capital redemption reserve; (ii) consolidate our shares; (iii) divide its shares into several classes; (iv) subdivide our shares; and (v) cancel any shares which have not been taken up. See "Appendix V — Summary of the Articles of Association" in this Prospectus for further details.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our Shareholders' general meeting and Shareholders' class meeting are required, see subsection "General Meeting" in "Appendix V — Summary of the Articles of Association."

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 50 H Shares) that may be purchased for an aggregate amount of approximately US$35.57 million (or approximately HK$276.73 million, calculated based on an exchange rate of US$1.00 to HK$7.7804) and exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee (the "**Cornerstone Placing**"). The final number of Shares to be subscribed by the Cornerstone Investors are subject to the exchange rate to be determined in accordance with the relevant Cornerstone Investment Agreements and will be set out in the allotment results announcement in respect of the Global Offering to be issued by the Company.

Based on the Offer Price of HK$82.8 per Offer Share, the number of Offer Shares to be subscribed by the Cornerstone Investors would be 3,342,000 H Shares, representing (a) approximately 47.50% of the Offer Shares offered pursuant to the Global Offering and approximately 2.76% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 41.31% of the Offer Shares offered pursuant to the Global Offering and approximately 2.74% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full). The table below sets forth the details of the Cornerstone Placing immediately following the completion of the Global Offering:

			Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
Cornerstone Investor	Total Investment Amount	Number of Offer Shares to be acquired[(1)]	Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of our total issued share capital immediately upon completion of the Global Offering
	(USD in million)							
Star Group	3.60[(2)]	338,150	4.81%	5.34%	0.28%	4.18%	5.34%	0.28%
Honour Goal	8.00	751,700	10.68%	11.87%	0.62%	9.29%	11.87%	0.62%
Hengqin Investment Fund	8.00	751,700	10.68%	11.87%	0.62%	9.29%	11.87%	0.62%
Xunyi Limited	7.97[(2)]	748,750	10.64%	11.82%	0.62%	9.25%	11.82%	0.61%
Costone China Growth	8.00[(2)]	751,700	10.68%	11.87%	0.62%	9.29%	11.87%	0.62%
Total	**35.57**	**3,342,000**	**47.50%**	**52.78%**	**2.76%**	**41.31%**	**52.78%**	**2.74%**

Notes:

(1): Subject to rounding down to the nearest whole board lot of 50 H Shares; and

(2): Calculated based on an exchange rate of US$1.00 to HK$7.7804. The actual investment amount is denominated in Hong Kong dollars.

Our Company is of the view that the Cornerstone Placing will help raise the profile of our Company and to signify that such investor has confidence in our business and prospect. Our Company became acquainted (i) with Star Group, a close associate of Tianzheng Investment, an existing shareholder of the Company, during the Pre-IPO Investments, and (ii) with each of the other Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Company's business partners/the Overall Coordinators in the Global Offering.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors (and, for Cornerstone Investor who will subscribe for our Offer Shares through qualified domestic institutional investor ("**QDII**"), the QDII) and their respective close associates will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors (and, for Cornerstone Investor who will subscribe for our Offer Shares through QDII, the QDII) will rank *pari passu* in all respects with other fully paid H Shares in issue following the Global Offering and will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors and their close associates will not have any Board representation in our Company and none of the Cornerstone Investors will become a Substantial Shareholder of our Company. None of the Cornerstone Investors and their close associates have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each of the Cornerstone Investors, there is no side agreement or arrangement between the Company, any member of the Group, or any of their respective affiliates, directors, supervisors, officers, employees, or agents in the Global Offering and any of the Cornerstone Investors, any of their respective affiliates, directors, supervisors, officers, employees, or agents, or any benefit, direct or indirect, conferred on any of the Cornerstone Investors, any of their respective affiliates, directors, officers, employees, or agents by virtue of or in relation to the Listing other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

Among the Cornerstone Investors, Star Group is a close associate of Tianzheng Investment, one of our existing Shareholders. The Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed to Star Group. See "Waivers from strict compliance with the Listing Rules — Allocation of H

Shares to a close associate of an existing Shareholder". Save as otherwise disclosed, to the best of the knowledge, information and belief of our Company, (i) each of the Cornerstone Investors (and, for Cornerstone Investor who will subscribe for our Offer Shares through QDII, the QDII) is an Independent Third Party; (ii) none of the Cornerstone Investors (and, for Cornerstone Investor who will subscribe for our Offer Shares through QDII, the QDII) is accustomed to taking or has taken instructions from our Company or any one of our Directors, Supervisors, chief executive of our Company, our Controlling Shareholder, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in their name or otherwise held by them; and (iii) the subscription of the Offer Shares by the Cornerstone Investors (and, for Cornerstone Investor who will subscribe for our Offer Shares through QDII, the QDII) is not financed by our Company or any of our Directors, Supervisors, chief executive of our Company, our Controlling Shareholder, Substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates.

Each of the Cornerstone Investors has agreed to pay in full for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange.

The number of Offer Shares to be subscribed by the Cornerstone Investors (and, for Cornerstone Investor who will subscribe for our Offer Shares through QDII, the QDII) pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation and Clawback". Our Company and the Overall Coordinators have the absolute discretion, but not the obligation, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a *pro rata* basis under the International Offering to satisfy the shortfall arising from the reallocation pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around December 27, 2024. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by Cornerstone Investors under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares in full on or before 4:00 p.m. (Hong Kong time) on the business day immediately prior to the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. There will be no deferred payment for the Offer Shares to be subscribed by the Cornerstone Investors. For details of the Over-allotment Option, see "Structure of the Global Offering — The International Offering — Over-allotment Option."

To the best knowledge of our Company and as confirmed by each Cornerstone Investor, each Cornerstone Investor makes independent investment decisions, and its subscription under the relevant Cornerstone Investment Agreement would be financed by its own internal resources, and it has sufficient funds to settle its respective investment under the Cornerstone Placing. Each Cornerstone Investor has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant Cornerstone Placing.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by each of our Cornerstone Investors in connection with the Cornerstone Placing.

Star Group

Star Group Limited (the "**Star Group**") is a company incorporated in Hong Kong which is wholly owned by China Merchants China Direct Investments Limited (招商局中國基金有限公司), a company listed on the Hong Kong Stock Exchange (Stock Code: 00133) (the "**CMCDI**"). CMCDI and its subsidiaries including Star Group are principally engaged in equity investments in the PRC. With an initial capital of US$100 million, CMCDI started its operation in 1993. To date, it has developed and acquired a number of diversified interests in the sectors of financial services; culture, media and consumption; information technology; manufacturing; energy and resources; medical; etc. Star Group is principally engaged in equity investment. As of June 30, 2024, the unaudited total assets of CMCDI and its subsidiaries amounted to US$757.70 million and the unaudited total assets of Star Group amounted to US$28.10 million.

Honour Goal

Honour Goal Investments Limited (達安投資有限公司) ("**Honour Goal**") is a limited company incorporated in Hong Kong on May 3, 2019 and is principally engaged in investment and consulting management. Honour Goal is wholly owned by Zhongchengxin (HK) Investment Services Limited ("**Zhongchengxin HK**"), a company incorporated in Hong Kong with limited liability. Zhongchengxin HK is wholly owned by Zhongchengxin Investment Group Company Limited (中誠信投資集團有限公司) ("**Zhongchengxin Investment**"). Zhongchengxin Investment is a limited liability company which is principally engaged in industry investments, asset management, business information consultation and enterprise management consultation, and is ultimately controlled by Mr. Mao Zhenhua (毛振華), who is an Independent Third Party. Zhongchengxin Investment also participated in more than 20 equity investment projects domestically and abroad, including financing, real estate and ski resort projects. As of September 30, 2024, the total assets of Honour Goal and Zhongchengxin HK is HK$390.55 million and USD81.60 million, respectively.

Hengqin Investment Fund

Guangdong-Macao In-Depth Cooperation Zone in Hengqin Industrial Investment Fund (Limited Partnership) (橫琴粵澳深度合作區產業投資基金(有限合夥)) (the "**Hengqin Investment Fund**") is a limited partnership incorporated in the PRC. It is managed by, and held as to 0.0001% by, CICC Capital Management Co., Ltd. (中金資本運營有限公司) as its general partner (the "**CICC Capital**"), and as to 99.9999% by the Finance Bureau of the Guangdong-Macao In-Depth Cooperation Zone in Hengqin (橫琴粵澳深度合作區財政局) as its limited partner. CICC Capital is wholly owned by China International Capital Corporation Limited (中國國際金融股份有限公司), a company dually listed on the Stock Exchange (stock code: 3908) and the Shanghai Stock Exchange (stock code: 601995). As of June 30, 2024, the asset under management of CICC Capital is RMB422.90 billion.

Hengqin Investment Fund's investment into the Company would be completed through QDII programs in the PRC, of which it has engaged GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司), an asset manager that is a QDII, to subscribe for such Offer Shares at the Offer Price on behalf of Hengqin Investment Fund.

Xunyi Limited

Xunyi Limited (訊醫有限公司) (the "**Xunyi Limited**") is a company incorporated in Hong Kong which is wholly owned by Hefei Xunyi Venture Capital Partnership (Limited Partnership) (合肥訊醫創業投資合夥企業(有限合夥)) (the "**Hefei Xunyi VC**"). The general partner of Hefei Xunyi VC is Hefei Industrial Investment Capital Venture Capital Management Co., Ltd. (合肥產投資本創業投資管理有限公司, the "**Hefei Industrial Investment**") which is ultimately wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Government of Hefei City (合肥市人民政府國有資產監督管理委員會, the "**Hefei SASAC**"). As of November 30, 2024, the asset under management of Hefei Industrial Investment is RMB40.00 billion. Hefei Xunyi VC is owned as to 33%, 33% and 33% by its three limited partners, namely, Anhui Province Life and Health Industry Theme Investment Fund Partnership (Limited Partnership) (安徽省生命健康產業主題投資基金合夥企業(有限合夥), the "**Anhui Life and Health Fund**"), Hefei Gongchuang Jieli Venture Capital Fund Partnership (Limited Partnership) (合肥市共創接力創業投資基金合夥企業(有限合夥), the "**Gongchuang Jieli Fund**") which is ultimately controlled by Hefei SASAC, and Hefei High-tech Construction Investment Group Co., Ltd. (合肥高新建設投資集團有限公司, the "**Hefei High-tech Investment**") which is wholly owned by Hefei High-tech Industrial Development Zone Management Committee (合肥高新技術產業開發區管理委員會), respectively. Anhui Life and Health Fund is mainly funded by Provincial Department of Finance (安徽省財政廳) and Hefei Financial Bureau (合肥市財政局). The general partner of Anhui Life and Health Fund is Hefei Industrial Investment. As of June 5, 2023, the asset under management of Anhui Life and Health Fund is RMB6.20 billion, as of April 16, 2024, the asset under management of Gongchuang Jieli Fund is RMB2.8 billion, and as of December 31, 2023, the total assets of Hefei High-tech Investment is RMB59.5 billion.

Costone China Growth

Costone China Growth Capital I L.P. (the "**Costone China Growth**") is a limited partnership registered in the British Virgin Islands. It is a private equity fund principally engaged in equity investments in companies listed in the stock markets of the United States and Hong Kong in the sector of technology and healthcare. Costone China Growth is managed by CS Technology Holdings Limited (the "**CS Technology**") as its general partner, and is owned as to (i) approximately 47.85% by Costone Technological Development Capital I L.P., an investment fund managed by Hong Kong Yangtze River Asset Management Company Limited (香港揚子江資產管理有限公司, the "**Yangtze River Asset Management**") as the fund manager and wholly owned by Hainan Junyuan Cornerstone Private Equity Securities Investment Fund Partnership Enterprise (Limited Partnership) (海南均遠基石私募證券投資基金合夥企業(有限合夥), the "**Hainan Junyuan Fund**"); (ii) approximately 33.72% by Cayman Cornerstone Asset Management Co., Ltd which is wholly owned by Mr. ZHANG Wei (張維), who is an Independent Third Party; (iii) approximately 15.33% by Li Ruimeng, an Independent Third Party; and (iv) approximately 3.10% by Feng Feifei, an Independent Third Party. Yangtze River Asset Management is ultimately controlled by Mr. ZHANG Wei. The general partner of Hainan Junyuan Fund is Hainan Yuanqi Cornerstone Overseas Private Equity Investment Fund Management Partnership (Limited partnership) (海南元啟基石海外私募股權投資基金管理合夥企業(有限合夥)) which is ultimately controlled by Co-Stone Asset Management Co., Ltd. (基石資產管理股份有限公司, the "**Co-Stone Asset Management**"), a renowned equity investment institution in the PRC. Co-Stone Asset Management is ultimately controlled by Mr. ZHANG Wei. The two limited partners of Hainan Junyuan Fund is (i) Ma'anshan Hongtai Enterprise Management Consulting Co., Ltd. (馬鞍山宏泰企業管理諮詢有限公司), owning 93.33% of the partnership interest therein, which is owned as to 50% and 50% by LI Bin (李斌) and HUANG Huang (黃煌), both being Independent Third Parties, respectively, and (ii) Shenzhen Wanshi Investment Consulting Co., Ltd. (深圳市頑石投資諮詢有限公司), holding 3.33% of partnership interest therein, which is owned as to 90% and 10% by ZHANG Feilian (張飛廉) and JIANG Xiaoyu (江小雨), both being Independent Third Parties, respectively. CS Technology is wholly owned by Mr. ZHANG Wei, the chairman of board and ultimate controller of Co-Stone Asset Management. As of December 12, 2024, the asset under management of Costone China Growth and CS Technology is USD31.61 million and USD31.71 million, respectively.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);

(iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements, and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the representations, warranties, undertakings, acknowledgements and confirmations of such Cornerstone Investor under the relevant Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of each of our Company, the Joint Sponsors and the Overall Coordinators, it will not, and will cause its affiliate not to, whether directly or indirectly, at any time during the period commencing from (and inclusive of) the Listing Date and ending on (and inclusive of) the date falling six (6) months after the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares it has purchased, pursuant to the relevant Cornerstone Investor Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investors, including the Lock-up Period restriction.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business."

For the purpose of this section, unless the context otherwise requires, references to 2021 and 2022 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are committed to empowering the healthcare industry with AI technologies and realizing the large-scale commercialization of healthcare AI solutions in China. We strive to propel a diagnostic model via HCI and facilitate China's healthcare reform. We ranked first in the healthcare AI industry in terms of revenue in China with a market share of 5.9% in 2023, according to Frost & Sullivan.

Our healthcare AI solution matrix caters to the diverse needs of all major stakeholders in the healthcare industry, extending our reach from PHC institutions to hospitals, patients, including outpatients, inpatients residing in medical institutions and discharged inpatients at home, and other individual customers, as well as regional healthcare administrators. Our products and solutions cover a range of healthcare services, ranging from health risk warning, early screening, auxiliary diagnosis and treatment as well as treatment effect evaluation, to post-discharge management and chronic disease management.

During the Track Record Period, our revenue was primarily derived from the provision of PHC Services, Hospital Services, Patient Services and Regional Healthcare Solutions. Our revenue increased by 26.7% from RMB372.5 million in 2021 to RMB471.9 million in 2022, by 17.9% to RMB556.1 million in 2023, and further by 17.8% from RMB194.5 million in the six months ended June 30, 2023 to RMB229.2 million in the six months ended June 30, 2024. Our gross profit increased by 22.9% from RMB187.7 million in 2021 to RMB230.7 million in 2022, by 36.4% to RMB314.7 million in 2023, and further by 19.6% from RMB101.4 million in the six months ended June 30, 2023 to RMB121.2 million in the six months ended June 30, 2024. Our gross profit margins decreased from 50.4% in 2021 to 48.9% in 2022. Our gross profit margins increased from 48.9% in 2022 to 56.6% in 2023 and remained relatively stable at 52.1% in the six months ended June 30, 2023 and 52.9% in the six months ended in June 30, 2024. We had a net loss of RMB89.4 million, RMB208.6 million, RMB154.2 million, RMB106.0 million and RMB133.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. Our adjusted net loss (non-IFRS measure) was RMB48.2 million, RMB110.5 million, RMB57.0 million, RMB57.7 million and RMB86.4 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

BASIS OF PREPARATION

Our Company was established as a company with limited liability in Hefei, Anhui on May 13, 2016, under the Company Law of the PRC. Our immediate holding company and the Controlling Shareholder is iFlytek Co., Ltd. On December 24, 2021, our Company was converted into a joint stock company with limited liability.

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting periods beginning on or after January 1, 2024, throughout the Track Record Period.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the International Accounting Standards Board ("**IASB**").

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

General Factors

Our business and operating results are affected by general factors affecting the healthcare AI industry in China, which include:

- relevant laws and regulations, governmental policies and initiatives affecting the healthcare industry and/or the AI industry;
- market acceptance of healthcare AI technologies;
- growth and competition environment of China's healthcare AI industry;

- technological development and disruptive changes in the AI industry; and
- China's general demographic conditions, economic growth, interest rate environment and level of per capita disposable income.

Any unfavorable changes and challenges in any of these general industry conditions could materially and adversely affect demand for our products and services, and therefore materially and adversely affect our results of operations.

Company-specific Factors

While our business is influenced by general factors affecting the healthcare AI industry in China, our results of operations are also affected by company-specific factors, including the following:

Our Ability to Expand Our Customer Base and to Deepen Our Customer Relationships

Our growth depends on our ability to maintain and expand our customer base, which is key to increasing project implementation. Regional healthcare administrators constitute our largest customer group in terms of revenue contribution, followed by hospitals as our second largest customer group. As of December 31, 2021, 2022, 2023 and June 30, 2023 and 2024, our PHC Services offerings covered more than 30,000, 44,000, 52,000, 45,000 and 58,100 PHC institutions in 278, 360, 430, 394 and 604 districts and counties affiliated with 63, 90, 112, 97 and 121 cities, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had offered Hospital Services to 121, 154, 221 and 247 Class III hospitals and 15, 31, 41 and 46 Class II hospitals in the PRC, respectively.

We are dedicated to continually strengthening collaboration with our customers and promoting our brand reputation to pave the way for our sustainable growth. We rely on our experienced sales team to conduct effective market analysis of client needs and provide tailored solutions for diverse types of clients, including PHC institutions and hospitals, patients and other individual customers, as well as regional healthcare administrators. In addition, our market solution team is responsible for proposing project implementation plans and assisting clients with the groundwork. It plays an important role in our success in expanding our customer base. Our ability to deliver high-quality customer services is also essential in strengthening our relationships with our customers. Amicable relationships with our customers, in turn, safeguard the revenue stream generated from post-implementation services in relation to certain of our products and services, such as General Practice CDSS and Chronic Disease Management Tools. As of December 31, 2021, 2022, 2023 and June 30, 2024, save for customers for our Cloud Medical Imaging Platform and Medical Device, and the hearing aids, we had accumulatively served 438, 639, 1,007 and 1,207 customers, respectively. As of June 30, 2024, more than 200 customers had purchased at least two of our products or services.

Our Ability to Explore, Expand and Commercialize New Services and Solutions in a Frequently Evolving Industry

The healthcare AI industry is characterized by rapid technological advancements and changing market conditions. Based on our technological advantages and efficient commercialization capabilities, we connect PHC institutions, hospitals and individuals through the wide application of our healthcare AI solution matrix. See "Business — Overview — Our Products and Solutions". Our growth largely depends on whether we are able to deepen our penetration in existing scenarios, adapt to rapid changes and innovation in AI technologies, and consolidate our leading position in the fast-growing healthcare AI industry.

The successful exploration, expansion and commercialization of our AI technologies to offer new products and services in the evolving healthcare AI industry are important for further improving our results of operations. The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as a percentage of our total revenue for the years indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of revenue)									
							(unaudited)			
PHC Services	215,567	57.9	298,061	63.2	239,754	43.1	87,045	44.7	55,042	24.0
Hospital Services	82,347	22.1	43,486	9.2	64,912	11.7	22,550	11.6	58,727	25.6
Patient Services	32,284	8.7	36,894	7.8	134,821	24.2	39,856	20.5	94,714	41.3
Regional Healthcare Solutions	42,254	11.3	93,419	19.8	116,638	21.0	45,080	23.2	20,722	9.0
Total	**372,452**	**100.0**	**471,860**	**100.0**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

Our Effective Research and Development Efforts to Maintain Technological Leadership

The continuous advancement of AI technologies is driving the development of its application in healthcare. Against this backdrop, effective research and development are critical to sustain the growth of our business. We invest substantial resources in research and development to enhance our technology, and develop new products and services. We have also established partnerships with key stakeholders in the healthcare industry, including medical knowledge publishers, hospitals and institutions, health commissions and universities, to jointly establish research institutes or laboratories in the healthcare AI industry. We had research and development expenses of RMB159.8 million, RMB241.6 million, RMB264.0 million, RMB127.0 million and RMB135.3 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 42.9%, 51.2%, 47.5%, 65.3% and 59.0% of our total revenue in the same respective periods. While our research and development initiatives required substantial investment, they are crucial for us to reinforce our technological competence and sustain our future growth. Our financial results have been steered by, and are expected to continue being improved by, our investment in research and development.

Benefiting from our investment in research and development, we have achieved numerous breakthroughs in technology. For example, we have developed our proprietary AI-enabled General Practice CDSS, which was the first and only machine in the world that passed the NMLE (General Written test) as of the Latest Practicable Date, according to Frost & Sullivan. In addition, we were the only corporate participant in the development and rule-setting of the "Technical Evaluation System and the Standard Specifications of LLMs for Use in Healthcare." This is one of the first industry standards setting the rules for the use of relevant healthcare AI technologies in China to assess the use of AI technologies in the healthcare industry, according to the same source. We believe we are well-positioned to seize such opportunities presented by technology breakthroughs, such as LLMs, in our industry. We consistently upgrade our Xunfei Spark Medical Model to improve its productivity and capabilities, and utilize the model to empower a diverse range of our products and services. We believe our research and development outcomes can shorten the time to market of our healthcare AI solutions and continually drive the growth of our revenue.

Our Ability to Manage Costs and Expenses Effectively

Our ability to manage and control our cost of sales as well as our selling and administrative expenses is critical to our results of operations. Our cost of sales primarily includes (i) delivery and deployment costs; (ii) labor costs; (iii) hardware and software acquisition costs; and (iv) amortization of intangible assets. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our cost of sales amounted to RMB184.7 million, RMB241.2 million, RMB241.5 million, RMB93.2 million and RMB108.0 million, respectively. We strive to scale up our business operation while effectively managing our cost of sales to achieve higher gross profit margins. Specifically, gross profit margins for particular products or services are generally lower during the initial stages of commercialization, which tend to increase as the business segments achieve economies of scale.

Our profitability is also dependent on our ability to control our selling and administrative expenses during business expansion. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, (i) our selling expenses amounted to RMB90.7 million, RMB159.9 million, RMB163.1 million, RMB68.7 million and RMB87.5 million, respectively; and (ii) our administrative expenses amounted to RMB69.3 million, RMB109.4 million, RMB112.6 million, RMB53.9 million and RMB44.5 million, respectively. We plan to leverage the cross-selling across business segments to enlarge our customer base and increase the efficiency of our selling activities to reduce selling expenses as a percentage of our revenue. Furthermore, as our business grows, we continually evaluate and monitor our administrative efficiency to control our administrative expenses. We strive to continually improve our operational efficiency and enhance our results of operations as we achieve economies of scale by managing our costs and expenses.

Seasonality

Our business and results of operations are affected by seasonality. During the Track Record Period, our PHC Services and Regional Healthcare Solutions usually recorded higher revenue and cost of sales in the fourth quarter of a year. This is because our PHC Services and Regional Healthcare Solutions are primarily sold to regional healthcare administrators, who are in the public sector and typically complete contracts in the fourth quarter of the year in accordance with internal financial budget approval procedures and their business plans. According to Frost & Sullivan, these customers usually adopt a centralized procurement system, with the annual budget and procurement plan formulated at the beginning of each year, followed by a tendering process starting from the second quarter of the year and completing with acceptance tests conducted in the fourth quarter of the year. As a result, a higher portion of revenue and cost of sales is typically recognized in the fourth quarter of a year. The annual trade receivables turnover days are typically shorter than the trade receivables turnover days in the first three quarters of the same year, and the annual trade payables turnover days are typically shorter than the trade payables turnover days in the first three quarters of the same year. The sales of our Hospital Services and Patient Services, which are primarily sold to hospitals, patients and other individual customers, are generally not affected by seasonality.

Working Capital Management

Our ability to effectively control our working capital is crucial to our operating cash flows. We have implemented systematic measures to ensure efficient working capital management. At the onset of each financial year, we establish an annual target for our cash flow budget. At the beginning of each month, we forecast and simulate the cash flow completion for the current and subsequent quarters, setting monthly cash flow targets. We issue weekly updates on the cash flow status against our monthly cash flow targets and daily reports on our cash balance. As of December 31, 2021, 2022, 2023 and June 30, 2024, our trade receivables net of allowance amounted to RMB162.3 million, RMB273.6 million, RMB498.3 million and RMB560.7 million, respectively. We had relatively long trade receivables turnover days during the Track Record Period, primarily because a significant portion of our revenue was derived from sales to regional healthcare administrators, which typically feature a long payment cycle. We have a dedicated department responsible for trade receivable collections and continually monitor the credit profiles as well as operating and financial condition of our customers. We maintain financial stability by managing trade receivables. For specific measures, see "— Discussion of Selected Item from the Consolidated Statements of Financial Position — Current Assets and Liabilities — Trade and Other Receivables — Trade Receivables." In addition, we aim to leverage our scale to negotiate attractive credit terms with our suppliers. Furthermore, as of the Latest Practicable Date, our unutilized committed banking facilities amounted to approximately RMB343.3 million. We believe we are able to enhance our financial condition with our effective working capital management.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified certain accounting policy information that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation with regard to the procedures and methods used by our management in making accounting estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 4 and 5 to the Accountants' Report in Appendix I to this prospectus.

Revenue from Contracts with Customers

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress toward complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates and enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e., only the passage of time is required before payment of that consideration is due.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of our efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict our performance in transferring control of goods or services.

Credit Risk and Impairment Assessment

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in our financial losses. Our credit risk exposures are primarily attributable to trade and other receivables, long-term trade receivables, contract assets, pledged/restricted bank deposits, amount due from the ultimate holding company and amounts due from fellow subsidiaries. We do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets.

In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our credit risk is significantly reduced.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of our cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The recoverable amount of the CGU was determined based on a value-in-use calculation ("**VIU**") by using the discounted cashflow method, based on the financial budgets approved by our board of Directors covering a five-year period. The CGU's cash flows beyond the five-year period were extrapolated by using a steady 2.0% growth rate, which was based on the relevant industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. The values to the assigned key assumptions were based on the past performance of the CGU and our management's expectation of future market development. Pre-tax discount rates of 16.4%,14.7%, 14.6% and 14.6% were used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment review as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

In the view of our Directors, such assessment indicated that there was sufficient headroom in respect of the reasonably possible change in the key parameter, and had not identified that a reasonably possible change in the key parameter would cause the carrying amount of the CGU to exceed the recoverable amount as at December 31, 2021, 2022 and 2023 and June 30, 2024.

During the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our management determines that there is no impairment on the CGU. The recoverable amount of the CGU exceeded its carrying amount by RMB7.0 million, RMB12.6 million, RMB35.3 million and RMB51.9 million as at December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. If the pre-tax discount rate was changed to 16.7%, 15.3%, 16.2% and 17.3% respectively, while other parameters remain constant, the recoverable amount of the CGU would equal its carrying amount.

Government Grants

Government grants are not recognized until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income."

Other Intangible Assets

Other intangible assets acquired separately

Other intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for other intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Other intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated other intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated other intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as other intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Provision

Provisions are recognized when we have a present obligation (legal or constructive) as a result of a past event, it is probable that we will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of intelligent primary medical institution business and intelligent hospital business are recognized at the date of sale of the relevant products, at our Directors' best estimate of the expenditure required to settle our obligation.

Estimated Impairment of Other Intangible Assets

Other intangible assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, we have to exercise judgment and make an estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise the recoverable amount is determined at the smallest group of cash generating units for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

During the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 the carrying amounts of other intangible assets were RMB205.5 million, RMB166.0 million, RMB158.3 million and RMB156.5 million respectively. No impairment loss was recognized by our management during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 as the result of the impairment assessment.

For the impairment testing for development costs, the recoverable amount of the development costs was determined based on a VIU using the discounted cashflow method, based on the financial budgets of individual development projects approved by our management covering the following three years. The values of the assigned key assumptions were based on the historical performance of comparable products and our management's expectation of future market development. Pre-tax discount rates of 18.6%, 18.4%, 17.4% and 17.2% were used to reflect market assessment of time value and the specific risks relating to the development costs for the impairment review as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

In the view of our Directors, such assessment indicated that there was sufficient headroom in respect of the reasonably possible change in the key parameter, and had not identified that a reasonably possible change in the key parameter would cause the carrying amount of the CGU to exceed the recoverable amount as at December 31, 2021, 2022 and 2023 and June 30, 2024.

During the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, management of the Group determines that there is no impairment on the development costs. The recoverable amount of the CGU exceeded its carrying amount by RMB3.1 million RMB2.3 million, RMB4.2 million and RMB4.9 million as at December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. If the pre-tax discount rate was changed to 26.3%, 38.4%, 40.8% and 41.2%, respectively, while other parameters remain constant, the recoverable amount of the CGU would equal its carrying amount.

Our Directors are of the view that the useful life of an imaging platform is estimated based on the typical product life cycle for the asset and public information on estimates of the useful lives of similar types of assets that are used in a similar way. The useful life of intellectual properties is estimated based on the expected usage of the asset by the entity and the period of over which an intellectual property is expected to be available for use by the Company.

Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). In addition, the ultimate holding company of our Company, iFLYTEK, also operates certain share-based payment transactions which may cover some of our employees. RSUs granted to our grantees are recognized as an employee benefit expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (capital reserve). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. When shares granted are vested, the amount previously recognized in the share-based payments reserve will be transferred to share premium.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of revenue)									
							(unaudited)			
Revenue	372,452	100.0	471,860	100.0	556,125	100.0	194,531	100.0	229,205	100.0
Cost of sales	(184,723)	(49.6)	(241,191)	(51.1)	(241,471)	(43.4)	(93,176)	(47.9)	(108,007)	(47.1)
Gross profit	**187,729**	**50.4**	**230,669**	**48.9**	**314,654**	**56.6**	**101,355**	**52.1**	**121,198**	**52.9**
Other income	31,227	8.4	44,000	9.3	48,577	8.7	25,305	13.0	12,120	5.3
Impairment losses under expected credit loss model, net of reversal	(628)	(0.2)	(8,602)	(1.8)	(6,187)	(1.1)	(3,508)	(1.8)	(8,402)	(3.7)
Other gains and losses	(350)	(0.1)	2,705	0.6	734	0.1	425	0.2	(141)	(0.1)
Selling expenses	(90,651)	(24.3)	(159,874)	(33.9)	(163,058)	(29.3)	(68,737)	(35.3)	(87,457)	(38.2)
Administrative expenses	(69,349)	(18.6)	(109,391)	(23.2)	(112,559)	(20.2)	(53,899)	(27.7)	(44,496)	(19.4)
Research and development expenses	(159,785)	(42.9)	(241,577)	(51.2)	(263,964)	(47.5)	(127,032)	(65.3)	(135,289)	(59.0)
Listing expenses	(6,268)	(1.7)	(1,440)	(0.3)	(3,901)	(0.7)	(399)	(0.2)	(18,735)	(8.2)
Finance costs	(2,895)	(0.8)	(590)	(0.1)	(1,211)	(0.2)	(41)	(0.0)	(2,087)	(0.9)
Loss before tax	**(110,970)**	**(29.8)**	**(244,100)**	**(51.7)**	**(186,915)**	**(33.6)**	**(126,531)**	**(65.0)**	**(163,289)**	**(71.2)**
Income tax credit	21,569	5.8	35,505	7.5	32,691	5.9	20,495	10.5	29,551	12.9
Loss and total comprehensive expense for the year	**(89,401)**	**(24.0)**	**(208,595)**	**(44.2)**	**(154,224)**	**(27.7)**	**(106,036)**	**(54.5)**	**(133,738)**	**(58.3)**
Loss and total comprehensive expense attributable to:										
– Owners of the Company	(83,707)	(22.5)	(189,400)	(40.1)	(144,842)	(26.0)	(97,513)	(50.1)	(129,653)	(56.6)
– Non-controlling interests	(5,694)	(1.5)	(19,195)	(4.1)	(9,382)	(1.7)	(8,523)	(4.4)	(4,085)	(1.8)
Total	**(89,401)**	**(24.0)**	**(208,595)**	**(44.2)**	**(154,224)**	**(27.7)**	**(106,036)**	**(54.5)**	**(133,738)**	**(58.3)**

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we use adjusted net loss (non-IFRS measure) for the period and adjusted net loss margins (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that the presentation of such non-IFRS measures when shown in conjunction with the corresponding IFRS 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.

We define adjusted loss (non-IFRS measure) for the period as loss for the period adjusted by adding back equity-settled share-based payments and listing expenses. Equity-settled share-based payments are non-cash in nature and mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Equity-settled share-based payments are not expected to result in future cash payments. Listing expenses are expenses of professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. The use of non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under IFRS. In addition, non-IFRS measures may be defined differently from similar terms used by other companies.

The following table reconciles our adjusted net loss (non-IFRS measure) for the period and adjusted net loss margins (non-IFRS measure) for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB'000)		
				(unaudited)	
Loss and total comprehensive expense for the year/period	**(89,401)**	**(208,595)**	**(154,224)**	**(106,036)**	**(133,738)**
Add: Equity-settled share-based payments	34,900	96,653	93,331	47,934	28,632
Add: Listing expenses	6,268	1,440	3,901	399	18,735
Adjusted net loss (non-IFRS measure) for the year/period	**(48,233)**	**(110,502)**	**(56,992)**	**(57,703)**	**(86,371)**
Adjusted net loss margins (non-IFRS measure) (%)	**(13.0)**	**(23.4)**	**(10.2)**	**(29.7)**	**(37.7)**

Revenue

The following table sets forth a breakdown of our revenue by business segment in absolute amounts and as a percentage of revenue for the periods indicated:

	Year ended December 31,						Six Months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of revenue)									
							(unaudited)			
PHC Services	**215,567**	**57.9**	**298,061**	**63.2**	**239,754**	**43.1**	**87,045**	**44.7**	**55,042**	**24.0**
General Practice CDSS	189,868	51.0	217,371	46.1	160,741	28.9	43,240	22.2	31,802	13.9
Chronic Disease Management Tools	25,699	6.9	80,690	17.1	79,013	14.2	43,805	22.5	23,240	10.1
Hospital Services	**82,347**	**22.1**	**43,486**	**9.2**	**64,912**	**11.7**	**22,550**	**11.6**	**58,727**	**25.6**
Patient Services	**32,284**	**8.7**	**36,894**	**7.8**	**134,821**	**24.2**	**39,856**	**20.5**	**94,714**	**41.3**
Post-Discharge Management Tools	20,909	5.6	18,285	3.9	43,182	7.8	9,802	5.0	20,619	9.0
Cloud Medical Imaging Platform	5,177	1.4	12,296	2.6	39,388	7.0	12,685	6.5	46,405	20.2
Medical Device	6,198	1.7	6,313	1.3	52,251	9.4	17,369	8.9	27,690	12.1
Regional Healthcare Solutions	**42,254**	**11.3**	**93,419**	**19.8**	**116,638**	**21.0**	**45,080**	**23.2**	**20,722**	**9.0**
Regional Healthcare Administrator Services	36,603	9.8	83,010	17.6	84,472	15.2	34,027	17.5	18,667	8.1
Medical Insurance Administrative Solutions	5,651	1.5	10,409	2.2	32,166	5.8	11,053	5.7	2,055	0.9
Total	**372,452**	**100.0**	**471,860**	**100.0**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

Our revenue grew by 26.7% from RMB372.5 million in 2021 to RMB471.9 million in 2022, by 17.9% to RMB556.1 million in 2023, and further by 17.8% from RMB194.5 million in the six months ended June 30, 2023 to RMB229.2 million in the six months ended June 30, 2024. Such increase was primarily attributable to the recent strategic development of our Hospital Services and Patient Services in 2023. As of June 30, 2024, more than 200 customers had purchased at least two of our products or services. As of December 31, 2021, 2022, 2023 and June 30, 2023 and 2024, our PHC Services offerings covered more than 30,000, 44,000, 52,000, 45,000 and 58,100 PHC institutions in 278, 360, 430, 394 and 604 districts and counties affiliated with 63, 90, 112, 97 and 121 cities, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had offered Hospital Services to 121, 154, 221 and 247 Class III hospitals and 15, 31, 41 and 46 Class II hospitals in the PRC, respectively. We expect to generate an increasing absolute amount of revenue from one-off purchases for project implementation and our long-term strategy is to increase the proportion of revenue from operational, add-on and maintenance services. See "Business – Business Sustainability – Solid and Growing Market Presence to Support Future Development – Diversified Revenue."

PHC Services

During the Track Record Period, we derived a large portion of our revenue from PHC Services. The PHC Services business line includes General Practice CDSS and Chronic Disease Management Tools, helping doctors and medical professionals at PHC institutions improve their service capabilities. Our revenue from PHC Services is recognized at a point in time when the products or solutions are delivered to the customer's designated place, inspected and accepted by the customer. In addition, we also provide outbound calling services and extended services to the customer, the revenue from which is recognized over time on a straight-line basis since our customers simultaneously receive and consume the benefits provided by us. Our revenue generated from PHC Services amounted to RMB215.6 million, RMB298.1 million, RMB239.8 million, RMB87.0 million and RMB55.0 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 57.9%, 63.2%, 43.1%, 44.7% and 24.0% of our total revenue over the same periods, respectively.

Hospital Services

The Hospital Services business line encompasses Smart Hospital Solutions and Intelligent Assistant. Our Smart Hospital Solutions, assisting PHC doctors in improving their service capabilities. Revenue generated from Hospital Services is recognized at a point in time when the products or solutions are delivered to the customer's designated place, inspected and accepted by the customer. In addition, we also provide relevant extended services to our customers for a specific period, the revenue from which is recognized over time on a straight-line basis since our customers simultaneously receive and consume the benefits provided by us. Our revenue generated from Hospital Services amounted to RMB82.3 million, RMB43.5 million, RMB64.9 million, RMB22.6 million and RMB58.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 22.1%, 9.2%, 11.7%, 11.6% and 25.6% of our total revenue over the same periods, respectively.

Patient Services

During the Track Record Period, our revenue from Patient Services significantly increased, in line with our strategy to expand our healthcare AI offerings and further target individual customers. The Patient Services business line includes (i) Post-Discharge Management Tools; (ii) Cloud Medical Imaging Platform; and (iii) Medical Device. Revenue generated from Patient Services is recognized at a point in time when the products or solutions are delivered to the customer's designated place, inspected and accepted by the customer. We also provide relevant extended services to our customers, the revenue from which is recognized over time on a straight-line basis since our customers simultaneously receive and consume the benefits provided by us. Our revenue generated from Patient Services amounted to RMB32.3 million, RMB36.9 million, RMB134.8 million, RMB39.9 million and RMB94.7 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 8.7%, 7.8%, 24.2%, 20.5% and 41.3% of our total revenue over the same periods, respectively.

Regional Healthcare Solutions

The Regional Healthcare Solutions business line consists of Regional Healthcare Administrator Services and Medical Insurance Administrative Solutions, assisting regional healthcare administrators with data-driven integrated healthcare management as well as efficient deployment of health insurance funds. Our revenue from Regional Healthcare Solutions is recognized at a point in time when the products or solutions are delivered to the customer's designated place, inspected and accepted by the customer. Our revenue generated from Regional Healthcare Solutions amounted to RMB42.3 million, RMB93.4 million, RMB116.6 million, RMB45.1 million and RMB20.7 million in 2021, 2022, 2023, and the six months ended June 30, 2023 and 2024 respectively, representing 11.3%, 19.8%, 21.0%, 23.2% and 9.0% of our total revenue over the same periods, respectively.

The following table sets forth a breakdown of the number of customers with whom we signed contracts to implement projects and the number of projects involved in these contracts by business line for the years indicated. Each customer purchasing from multiple business lines is counted only once under the business line which the largest part of the respective contract sum is attributed to, and there are no overlapping customers across business lines. Each project involving multiple business lines is counted only once under the business line which the largest part of the respective contract sum is attributed to, and there are no overlapping projects across business lines.

	Year ended December 31,						**Six months ended June 30,**			
	2021		**2022**		**2023**		**2023**		**2024**	
	Number of		*Number of*		*Number of*		*Number of*		*Number of*	
	Customers	*Projects*	*Customers*	*Projects*	*Customers*	*Projects*	*Customers*	*Projects*	*Customers*	*Projects*
PHC Services	75	86	70	86	94	104	32	38	66	68
Hospital Services	40	53	58	71	84	99	40	43	35	36
Patient Services	9	11	35	37	52	63	17	17	20	23
Regional Healthcare Solutions	4	4	9	10	16	19	6	8	16	18
Total	**128**	**154**	**172**	**204**	**246**	**285**	**95**	**106**	**137**	**145**

The following table sets forth a breakdown of our revenue in absolute amounts and as a percentage of our total revenue by type of revenue, including revenue from project implementation, revenue from continual provision of products and services, and revenue from sales of medical devices under each business line for the years indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)					
							(unaudited)			
PHC Services	215,567	100.0	298,061	100.0	239,754	100.0	87,045	100.0	55,042	100.0
Project implementation	202,931	94.1	272,777	91.5	214,011	89.3	75,462	86.7	45,945	83.5
Continual provision of products and services	12,635	5.9	25,285	8.5	25,743	10.7	11,583	13.3	9,097	16.5
Hospital Services	82,347	100.0	43,486	100.0	64,912	100.0	22,550	100.0	58,727	100.0
Project implementation	82,258	99.9	42,947	98.8	64,273	99.0	21,980	97.5	57,896	98.6
Continual provision of products and services	89	0.1	539	1.2	639	1.0	569	2.5	831	1.4
Patient Services	32,284	100.0	36,894	100.0	134,821	100.0	39,856	100.0	94,714	100.0
Project implementation	21,069	65.3	22,609	61.3	40,736	30.2	8,777	22.0	17,537	18.5
Continual provision of products and services — excluding sales of Medical Device	5,017	15.5	7,973	21.6	41,835	31.0	13,710	34.4	49,487	52.2
Continual provision of products and services — sales of Medical Device	6,198	19.2	6,313	17.1	52,251	38.8	17,369	43.6	27,690	29.2
Regional Healthcare Administrator Services	42,254	100.0	93,419	100	116,638	100.0	45,080	100.0	20,722	100.0
Project implementation	42,254	100.0	93,419	100	116,638	100.0	45,080	100.0	20,679	99.8
Continual provision of products and services	0	0.0	0	0	0	0.0	0	0.0	43	0.2
Total	**372,452**	**100.0**	**471,860**	**100**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

The following table sets forth a breakdown of our revenue in absolute amounts and as a percentage of our total revenue by location of customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)					
							(unaudited)			
Eastern China	107,446	28.8	107,821	22.9	259,749	46.7	98,223	50.5	122,563	53.5
Central China	34,207	9.2	71,866	15.2	34,514	6.2	23,314	12.0	19,187	8.4
Northern China	111,939	30.1	134,648	28.5	135,364	24.3	19,776	10.2	36,424	15.9
Southern China	12,322	3.3	16,422	3.5	50,431	9.1	9,752	5.0	2,076	0.9
Southwestern China	6,151	1.7	58,461	12.4	27,837	5.0	20,957	10.8	33,880	14.8
Northwestern China	100,388	27.0	82,644	17.5	48,229	8.7	22,509	11.6	15,075	6.6
Total	**372,452**	**100.0**	**471,860**	**100**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

The following table sets forth a breakdown of our revenue in absolute amounts and as a percentage of our total revenue by type of customer as of the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)					
							(unaudited)			
Regional healthcare administrator and other SOE customers	238,601	64.1	392,013	83.1	267,758	48.1	77,354	39.8	70,959	31.0
Hospital customers	21,176	5.7	33,228	7.0	106,102	19.1	36,086	18.6	85,763	37.4
Other non-SOE customers[(*)]	112,676	30.3	46,619	9.9	182,265	32.8	81,091	41.7	72,483	31.6
Total	**372,452**	**100.0**	**471,860**	**100.0**	**556,125**	**100.0**	**194,531**	**100.0**	**229,205**	**100.0**

Note: mainly includes (i) intermediaries engaged by certain of our end users, who are primarily regional healthcare administrators and hospitals. See "Business — Customers and Projects — Customers" and (ii) individuals.

Cost of Sales

Our cost of sales primarily consists of (i) delivery and deployment costs, which primarily represent the technical service fees, traveling expenses and miscellaneous costs we paid during the deployment of our products and services; (ii) labor costs, which mainly represent the salaries of employees involved in solution development and operations services; (iii) hardware and software acquisition costs, which primarily represent the cost of software and hardware products procured from third parties to be delivered to the customers in accordance with the agreements; and (iv) amortization of intangible assets associated with the sales of products and services.

The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of the cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, %)									
							(unaudited)			
Delivery and deployment costs	90,336	48.9	121,599	50.4	118,483	49.1	44,368	47.6	49,334	45.7
Labor costs	45,040	24.4	60,166	24.9	76,903	31.8	24,413	26.2	23,678	21.9
Hardware and software acquisition costs	24,552	13.3	26,880	11.2	30,841	12.8	17,255	18.5	24,890	23.0
Amortization of intangible assets	24,794	13.4	32,546	13.5	15,243	6.3	7,140	7.7	10,105	9.4
Total cost of sales	**184,723**	**100.0**	**241,191**	**100.0**	**241,471**	**100.0**	**93,176**	**100.0**	**108,007**	**100.0**

Gross Profit and Gross Profit Margins

Our gross profit represents our revenue less our cost of sales. Our gross profit margins represent our gross profit as a percentage of our revenue. The level of our overall gross profit margins is largely affected by our business mix. Our gross profit increased by 22.9% from RMB187.7 million in 2021 to RMB230.7 million in 2022, by 36.4% to RMB314.7 million in 2023, and further by 19.6% from RMB101.4 million in the six months ended June 30, 2023 to RMB121.2 million in the six months ended June 30, 2024. Our gross profit margins remained relatively stable at 50.4% and 48.9% in 2021 and 2022, respectively, primarily reflecting an increase in gross profit margins in PHC Services, substantially offset by decreases in gross profit margins in Hospital Services, Patient Services and Regional Healthcare Solutions. Our gross profit margins increased from 48.9% for 2022 to 56.6% for 2023, reflecting increases in gross profit margins in all four of our business lines. Our gross profit margins remained relatively stable at 52.1% in the six months ended June 30, 2023 and 52.9% in the six months ended June 30, 2024, primarily reflecting increases in gross profit margins from Hospital Services and Patient Services, which were substantially offset by a decrease in gross profit margins from Regional Healthcare Solutions.

The following table sets forth our gross profit and gross profit margins for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margins	Gross profit	Gross profit margins	Gross profit	Gross profit margins	Gross profit	Gross profit margins	Gross profit	Gross profit margins
					(RMB'000, %)					
							(unaudited)			
PHC Services	**105,879**	**49.1**	**159,114**	**53.4**	**143,685**	**59.9**	**47,822**	**54.9**	**30,637**	**55.7**
General Practice CDSS	93,220	49.1	120,388	55.4	103,244	64.2	25,038	57.9	16,474	51.8
Chronic Disease Management Tools	12,660	49.3	38,726	48.0	40,441	51.2	22,784	52.0	14,163	60.9
Hospital Services	**41,983**	**51.0**	**14,177**	**32.6**	**36,308**	**55.9**	**10,058**	**44.6**	**28,255**	**48.1**
Patient Services	**14,683**	**45.5**	**14,399**	**39.0**	**77,422**	**57.4**	**22,057**	**55.3**	**56,624**	**59.8**
Post-Discharge Management Tools	10,084	48.2	6,303	34.5	21,825	50.5	4,028	41.1	10,198	49.5
Cloud Medical Imaging Platform	1,355	26.2	4,001	32.5	17,435	44.3	5,474	43.2	26,479	57.1
Medical Device	3,243	52.3	4,095	64.9	38,162	73.0	12,555	72.3	19,947	72.0
Regional Healthcare Solutions	**25,185**	**59.6**	**42,979**	**46.0**	**57,239**	**49.1**	**21,418**	**47.5**	**5,682**	**27.4**
Regional Healthcare Administrator Services	21,789	59.5	34,627	41.7	39,991	47.3	16,670	49.0	4,313	23.1
Medical Insurance Administrative Solutions	3,396	60.1	8,352	80.2	17,248	53.6	4,748	43.0	1,369	66.7
Total	**187,729**	**50.4**	**230,669**	**48.9**	**314,654**	**56.6**	**101,355**	**52.1**	**121,198**	**52.9**

Other Income

Our other income mainly represents (i) government grants, primarily representing various unconditional subsidies received from government authorities as incentives mainly for our research and development activities as well as financing activities; (ii) value-added tax refund, primarily representing tax refund we received as a result of sales of software products; (iii) interest income from bank deposits; (iv) imputed interest income for long-term trade receivables with an imputed interest rate at 4.75% per annum, see Note 7 to the Accountants' Report in Appendix I to this prospectus for details; (v) interest income from the Controlling Shareholder; and (vi) others.

The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, %)									
							(unaudited)			
Government grants	14,695	47.1	31,050	70.5	17,784	36.6	7,235	28.6	1,494	12.3
Value-added tax refund[1]	14,657	46.9	9,684	22.0	22,605	46.5	13,588	53.7	7,148	59.0
Interest income from bank deposits	328	1.1	2,403	5.5	1,397	2.9	941	3.7	374	3.1
Imputed interest income for long-term trade receivables	–	–	734	1.7	6,563	13.5	3,313	13.1	2,836	23.4
Interest income from the ultimate holding company	1,479	4.7	–	–	–	–	–	–	–	–
Others	68	0.2	129	0.3	228	0.5	228	0.9	268	2.2
Total	**31,227**	**100.0**	**44,000**	**100.0**	**48,577**	**100.0**	**25,305**	**100.0**	**12,120**	**100.0**

Note:

1. In 2011, the State Council issued a circular regarding the "**Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry**" (Guo Fa [2011] No. 4) (the "**Circular**"). Pursuant to the Circular, enterprises engaged in the sale of self-developed software in the PRC are entitled to the value added tax refund to the extent that the effective value added tax rate of the sale of the software in the PRC exceeds 3% of the sales amounts.

Impairment Losses Under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model mainly represent the expected credit loss on our trade receivables, long-term trade receivables, amounts due from the ultimate holding company, amounts due from fellow subsidiaries, and contract assets. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our impairment losses under the expected credit loss model, net of reversal amounted to RMB0.6 million, RMB8.6 million, RMB6.2 million, RMB3.5 million and RMB8.4 million, respectively.

Other Gains and Losses

Our other gains and losses primarily consist of (i) gains from changes in fair value of financial assets at FVTPL, which mainly represent return on our structured deposits; and (ii) gains or losses on disposal of equipment, which mainly represent the write-off of end-of-life equipment, such as computer servers. We incurred other losses of RMB0.4 million and RMB0.1 million in 2021 and the six months ended June 30, 2024. We incurred other gains of RMB2.7 million, RMB0.7 million and RMB0.4 million in 2022, 2023 and the six months ended June 30, 2023, respectively.

Selling Expenses

Our selling expenses primarily include (i) labor costs, which comprise employee salaries in relation to our sales and marketing employees and costs of outsourced labor; (ii) quality assurance expenses, representing the expenses incurred in providing quality assurance services to customers during the free quality assurance period stipulated in the sales contracts; (iii) traveling and hospitality expenses incurred during our sales and marketing activities; (iv) restricted share units granted to certain sales and marketing employees; (v) advertising expenses; (vi) office expenses; and (vii) costs of outsourced service, representing fees paid to service providers for the sales of our products.

The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)					
							(unaudited)			
Labor costs	40,869	45.1	70,719	44.2	65,857	40.4	32,008	46.6	38,310	43.8
Quality assurance expenses	25,862	28.5	35,155	22.0	31,059	19.0	10,378	15.1	8,744	10.0
Traveling and hospitality expenses	12,697	14.0	22,269	13.9	20,144	12.4	10,310	15.0	9,598	11.0
Equity-settled share-based payments	4,433	4.9	13,231	8.3	11,576	7.1	5,537	8.1	3,850	4.4
Advertising expenses	3,440	3.8	8,139	5.1	16,765	10.3	5,503	8.0	20,416	23.3
Office expenses	2,478	2.7	3,927	2.5	3,937	2.4	1,170	1.7	1,928	2.2
Costs of outsourced service	872	1.0	6,434	4.0	13,720	8.4	3,831	5.6	4,611	5.3
Total	**90,651**	**100.0**	**159,874**	**100.0**	**163,058**	**100.0**	**68,736**	**100.0**	**87,457**	**100.0**

Administrative Expenses

Our administrative expenses primarily include (i) labor costs, which comprise employees' salaries relating to our administrative employees and costs of outsourced labor; (ii) restricted share units granted to certain administrative employees; (iii) office expenses; (iv) professional fees; and (v) depreciation and amortization.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)					
							(unaudited)			
Labor costs	29,138	42.0	32,726	29.9	34,073	30.3	13,918	25.8	15,269	34.3
Equity-settled share-based payments	20,561	29.6	57,039	52.1	56,633	50.3	29,058	53.9	16,641	37.4
Office expenses	9,503	13.7	8,880	8.1	10,199	9.0	5,078	9.4	6,306	14.2
Professional fees	6,970	10.1	7,461	6.8	8,859	7.9	4,111	7.6	4,427	9.9
Depreciation and amortization	3,177	4.6	3,285	3.1	2,795	2.5	1,734	3.2	1,853	4.2
Total	**69,349**	**100.0**	**109,391**	**100.0**	**112,559**	**100.0**	**53,899**	**100.0**	**44,496**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consist of (i) labor costs which comprise employees' salaries in relation to our research and development employees, as well as costs of outsourced labor; (ii) costs of outsourced service in relation to non-core R&D activities, such as software testing, outsourced to iFlytek Group and other third parties; (iii) restricted share units granted to certain research and development employees; (iv) depreciation and amortization; and (v) office expenses.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)		*(unaudited)*			
Labor costs	99,335	62.2	141,360	58.5	152,578	57.8	70,524	55.5	79,764	59.0
Costs of outsourced service	37,470	23.5	48,726	20.2	58,491	22.2	31,037	24.4	34,570	25.6
Equity-settled share-based payments	9,906	6.1	26,384	10.9	25,122	9.5	13,338	10.5	8,142	6.0
Depreciation and amortization	8,896	5.6	18,396	7.6	20,885	7.9	9,953	7.8	9,513	7.0
Office expenses	4,178	2.6	6,711	2.8	6,888	2.6	2,180	1.7	3,300	2.4
Total	**159,785**	**100.0**	**241,577**	**100.0**	**263,964**	**100.0**	**127,032**	**100.0**	**135,289**	**100.0**

Finance Costs

Our finance costs mainly represent interest expense on loan from the Controlling Shareholder, interest expense on bank borrowings and interest expense on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
					(RMB'000, %)		*(unaudited)*			
Interest expense on loan from the ultimate holding company	1,550	53.5	–	–	–	–	–	–	–	–
Interest expense on bank borrowings	1,223	42.3	508	86.1	1,176	97.1	31	75.6	2,057	98.6
Interest expense on lease liabilities	122	4.2	82	13.9	35	2.9	10	24.4	30	1.4
Total	**2,895**	**100.0**	**590**	**100.0**	**1,211**	**100.0**	**41**	**100.0**	**2,087**	**100.0**

Income Tax Credit

Our income tax credit represents the sum of the income tax credit currently payable and deferred tax. We incurred income tax credit of RMB21.6 million, RMB35.5 million, RMB32.7 million, RMB20.5 million and RMB29.6 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. We recorded income tax credit during the Track Record Period as a result of our net loss. See Note 11 to the Accountants' Report in Appendix I to this prospectus.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for the Track Record Period.

We qualified as a high and new technology enterprise ("**HNTE**") in 2021, and entitled to a preferential tax rate of 15% from 2021 to 2023. Beijing Huiji Zhiyi Technology Co., Ltd. (北京惠及智醫科技有限公司) qualified as HNTEs in 2022, and entitled to a preferential tax rate of 15% from 2022 to 2024. Anhui Imaging Union Cloud Health Technology Co., Ltd. (安徽影聯雲享醫療科技有限公司) ("**Imaging Union**") qualified as an HNTE in 2019 and separately renewed its HNTE in 2022, and is entitled to a preferential tax rate of 15% from 2019 to 2024.

Certain subsidiaries of our Group qualify as "small and low-profit enterprises" and benefit from a preferential tax rate of 20% under the EIT Law. For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the qualifying group entities enjoyed an 87.5% reduction on annual taxable income on the first RMB1.0 million and a 50% and a 75% reduction between the annual taxable income of RMB1.0 million and RMB3.0 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities in the PRC and we are not aware of any outstanding or potential disputes with such tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenue

Our total revenue increased by 17.8% from RMB194.5 million in the six months ended June 30, 2023 to RMB229.2 million in the six months ended June 30, 2024, primarily due to the revenue generated from Hospital Services and Patient Services.

- *PHC Services*: Our revenue generated from PHC Services decreased by 36.8% from RMB87.0 million in the six months ended June 30, 2023 to RMB55.0 million in the six months ended June 30, 2024, primarily due to decreases in revenue generated from General Practice CDSS and Chronic Disease Management Tools. Such decreases were primarily due to commercial considerations in response to recent government policies aimed at enhancing the management of medical insurance funds. While these policies do not prohibit bulk purchases, they have called for a heightened scrutiny on fund expenditure at the county level, which prompted the government entities to adopt a more stringent procurement process for high-value contracts and resulted in a deceleration in the procurement and contract finalization process since the end of 2022 to early 2024. See "— Year Ended December 31, 2023 Compared to Year Ended December 31, 2022 — Revenue" for details. Partially in response to this trend and as we planned to reduce the risk associated with reliance on a limited number of large municipal-level customers, we have refined our sales strategy with a more granular approach. We started to directly sell to an increased number of county, district and community-level healthcare administrators. Following this strategy, the number of our customers at the county, district and community level to whom we offered our PHC Services, including project implementation and operational and maintenance services, increased from 135 in the six months ended June 30, 2023 to 197 in the six months ended June 30, 2024. See "Business — Business Sustainability — Solid and Growing Market Presence to Support Future Development — Expanding Customer Base and Project Implementation" for details.

  Despite the change in purchase patterns, the number of customers at all levels with whom we signed contracts to implement PHC Services projects increased from 32 to 66 and the number of projects under our PHC Services increased from 38 to 68 from the six months ended June 30, 2023 to the six months ended June 30, 2024, respectively.

- *Hospital Services*: Our revenue generated from Hospital Services significantly increased from RMB22.6 million in the six months ended June 30, 2023 to RMB58.7 million in the six months ended June 30, 2024. The increased revenue is primarily due to our successful expansion of customer base. We had an increased number of contracts signed and projects carried over from 2023, the revenue from which was recognized in the six months ended June 30, 2024.

- *Patient Services*: Our revenue generated from Patient Services significantly increased from RMB39.9 million in the six months ended June 30, 2023 to RMB94.7 million in the six months ended June 30, 2024. The increase was primarily due to (i) an increase in the sales of our Medical Device, as a result of the successful launch in 2023 and sales of our Zunxiang version of hearing aids and the successful launch in 2024 and sales of our Xing series of hearing aids; (ii) an expanded end user base in connection with our digital imaging services on our Cloud Medical Imaging Platform; and (iii) an increase in the project implementation of our Post-discharge

Management Tools and Cloud Medical Imaging Platform. The number of customers with whom we signed contracts to implement Patient Services projects increased from 17 to 20 and the number of projects we signed contracts to implement under our Patient Services increased from 17 to 23 from the six months ended June 30, 2023 to the six months ended June 30, 2024, respectively.

- *Regional Healthcare Solutions*: Revenue generated from Regional Healthcare Solutions decreased by 54.0% from RMB45.1 million in the six months ended June 30, 2023 to RMB20.7 million in the six months ended June 30, 2024, primarily due to a temporary slowdown in procurement and contract finalization of regional healthcare administrators, as affected by government policies aimed at enhancing government procurement processes. Despite the temporary slowdown, the number of customers with whom we signed contracts to implement Regional Healthcare Solutions projects increased from six to 16 and the number of projects under our Regional Healthcare Solutions increased from eight to 18 from the six months ended June 30, 2023 to the six months ended June 30, 2024, respectively.

Cost of Sales

Our cost of sales increased by 15.9% from RMB93.2 million in the six months ended June 30, 2023 to RMB108.0 million in the six months ended June 30, 2024, in line with our revenue growth. The hardware and software acquisition costs increased from RMB17.3 million, accounting for 18.5% of our total cost of sales, in the six months ended June 30, 2023 to RMB24.9 million, accounting for 23.0% of our total cost of sales, in the six months ended June 30, 2024, in line with our increased sales.

Gross Profit and Gross Profit Margin

Our gross profit increased by 19.6% from RMB101.4 million in the six months ended June 30, 2023 to RMB121.2 million in the six months ended June 30, 2024. Our gross profit margin remained relatively stable at 52.1% in the six months ended June 30, 2023 and 52.9% in the six months ended June 30, 2024, primarily reflecting increases in gross profit margins in Hospital Services and Patient Services as offset by a decrease in the gross profit margin in Regional Healthcare Solutions.

- *PHC Services*: Our gross profit generated from PHC Services decreased by 35.9% from RMB47.8 million in the six months ended June 30, 2023 to RMB30.6 million in the six months ended June 30, 2024, which is in line with the fluctuation in our revenue. Our gross profit margin generated from PHC Services remained relatively stable at 54.9% in the six months ended June 30, 2023 and 55.7% in the six months ended June 30, 2024.

- *Hospital Services*: Our gross profit generated from Hospital Services increased significantly from RMB10.1 million in the six months ended June 30, 2023 to RMB28.3 million in the six months ended June 30, 2024. Our gross profit margin generated from Hospital Services increased from 44.6% in the six months ended June 30, 2023 to 48.1% in the six months ended June 30, 2024. The relatively low gross profit margin in the six months ended June 30, 2023 was primarily because we recognized revenue and costs of sales for two large-scale projects in the six months ended June 30, 2023, from which we recognized revenue of RMB2.5 million and RMB2.1 million, respectively. One of these projects required a high level of customization and the other required us to strategically source and integrate external products or services to meet customers' specific requirements, resulting in higher cost of sales as a percentage of revenue along with lower gross profit margins. In comparison with the gross profit margin of 55.9% in 2023, the gross profit margin in the six months ended June 30, 2024 was relatively low because certain large-scale projects required us to strategically source and integrate external products or services to meet customers' specific requirements. The higher proportion of external products and services resulted in higher cost of sales as a percentage of revenue and, correspondingly, lower gross profit margins.

- *Patient Services*: Our gross profit generated from Patient Services increased significantly from RMB22.1 million in the six months ended June 30, 2023 to RMB56.6 million in the six months ended June 30, 2024. Our gross profit margin generated from Patient Services increased from 55.3% in the six months ended June 30, 2023 to 59.8% in the six months ended June 30, 2024. This is primarily due to an increase in the gross profit margin of Cloud Medical Imaging Platform as a result of larger economies of scale.

- *Regional Healthcare Solutions*: Our gross profit generated from Regional Healthcare Solutions decreased by 73.5% from RMB21.4 million in the six months ended June 30, 2023 to RMB5.7 million in the six months ended June 30, 2024, which is in line with the fluctuation in our revenue. Our gross profit margin generated from Regional Healthcare Solutions decreased from 47.5% in the six months ended June 30, 2023 to 27.4% in the six months ended June 30, 2024. This is primarily because (i) we recognized revenue and costs of sales for two large-scale projects under Regional Healthcare Administrator Services in the six months ended June 30, 2023, from which we recognized revenue of RMB10.0 million and RMB4.2 million, respectively. These projects had higher gross profit margins of over 80.0% due to the higher level of standardization and correspondingly a lower demand for customization and fine-tuning, resulting in a lower cost of sales as a percentage of revenue along with higher gross profit margins; and (ii) we recognized revenue and costs of sales for two large-scale projects in the six months ended June 30, 2024, from which we recognized revenue of RMB12.9 million and RMB4.6 million, respectively. These projects had relatively lower gross profit margins due to the high proportion of externally sourced products or services, resulting in a relatively high cost of sales as a percentage of revenue along with relatively low gross profit margins.

Other Income

Our other income decreased by 52.1% from RMB25.3 million in the six months ended June 30, 2023 to RMB12.1 million in the six months ended June 30, 2024, primarily due to (i) a decrease in our government grants in supporting our research and development as well as financing activities; and (ii) a decrease in value added tax refund in relation to decreased sales of software products.

Impairment Losses under the Expected Credit Loss Model, Net of Reversal

Our impairment losses under the expected credit loss model, net of reversal increased significantly from RMB3.5 million in the six months ended June 30, 2023 to RMB8.4 million in the six months ended June 30, 2024, primarily due to an increase in trade receivables.

Other Gains and Losses

We recorded other gains of RMB0.4 million in the six months ended June 30, 2023 and other losses of RMB0.1 million in the six months ended June 30, 2024, primarily due to (i) a decrease in gains from changes in fair value of financial assets at FVTPL resulting from returns of structured deposits; and (ii) an increase in our donations primarily to an audiology foundation and an alumni association in the form of donated hearing aids.

Selling Expenses

Our selling expenses increased by 27.2% from RMB68.7 million in the six months ended June 30, 2023 to RMB87.5 million in the six months ended June 30, 2024, in line with the revenue growth. The increase was primarily attributed to (i) an increase in labor costs, because the number of sales personnel and their average income were higher in the six months ended June 30, 2024 compared to the same period in 2023 as we increased the sales and marketing efforts to continue improving our customer base; and (ii) an increase in advertising expenses due to our increased promotion activities in line with our increased sales.

Administrative Expenses

Our administrative expenses decreased by 17.4% from RMB53.9 million in the six months ended June 30, 2023 to RMB44.5 million in the six months ended June 30, 2024, primarily due to a decrease in equity-settled share-based payments resulting from the amortization process outlined in the equity incentive plan. Apart from the decrease in equity-settled share-based payments, our administrative expenses remained relatively stable, reflecting our ability to manage our operation efficiency.

Research and Development Expenses

Our research and development expenses increased by 6.5% from RMB127.0 million in the six months ended June 30, 2023 to RMB135.3 million in the six months ended June 30, 2024, primarily due to an increase in labor costs in research and development in line with our business growth.

Finance Costs

Our finance costs increased significantly from RMB41.4 thousand in the six months ended June 30, 2023 to RMB2.1 million in the six months ended June 30, 2024, primarily reflecting an increase in bank borrowings.

Income Tax Credit

Our income tax credit amounted to RMB20.5 million in the six months ended June 30, 2023 and RMB29.6 million in the six months ended June 30, 2024. See Note 11 to the Accountants' Report in Appendix I to this prospectus.

Loss and Total Comprehensive Expense for the Period

As a result of the foregoing, our loss and total comprehensive expense for the period increased by 26.1% from RMB106.0 million in the six months ended June 30, 2023 to RMB133.7 million in the six months ended June 30, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 17.9% from RMB471.9 million to RMB556.1 million in 2023, primarily due to increases in the revenue generated from Hospital Services, Patient Services and Regional Healthcare Solutions.

- *PHC Services*: Our revenue generated from PHC Services decreased by 19.6% from RMB298.1 million in 2022 to RMB239.8 million in 2023, primarily due to a decrease in revenue generated from General Practice CDSS. Such a decrease was generally in line with the decrease in market size of PHC institution CDSS in China, which decreased from RMB283.7 million in 2022 to RMB261.3 million in 2023, according to Frost & Sullivan. The decrease was primarily due to commercial considerations in response to recent government policies aimed at enhancing the management of medical insurance funds. While these policies do not prohibit bulk purchases, they have called for a heightened scrutiny on fund expenditure at the county level, which prompted the government entities to adopt a more stringent procurement process for high-value contracts and resulted in a deceleration in the procurement and contract finalization process since the end of 2022 to early 2024.

Partially in response to this trend and as we planned to reduce the risk associated with reliance on a limited number of large municipal-level customers, we have refined our sales strategy with a more granular approach in addition to the existing centralized bulk sales to municipal healthcare administrators who determine the deployment of our products and services at county, district and community levels. We started to sell directly to an increased number of county, district and community-level healthcare administrators since the end of 2022. The number of our customers at the county, district and community levels to whom we offered our PHC Services, including project implementation and operational and maintenance services, increased from 160 in 2022 to 337 in 2023. See "Business — Business Sustainability — Solid and Growing Market Presence to Support Future Development — Expanding Customer Base and Project Implementation" for details. We believe this strategy helps us better meet the demand of doctors at PHC institutions and develop deeper and more sustainable business relationships with customers.

The revenue generated from Chronic Disease Management Tools remained relatively stable. Despite the change in purchase pattern, the number of customers at all levels with whom we signed contracts to implement PHC Services projects increased from 112 in 2022 to 130 in 2023 and the number of projects we signed contracts to implement under our PHC Services increased from 131 in 2022 to 146 in 2023.

- *Hospital Services*: Our revenue generated from Hospital Services increased by 49.3% from RMB43.5 million in 2022 to RMB64.9 million in 2023. The increased revenue is primarily due to the expansion of our customer base and an increase in project implementation in connection with our Hospital Services, partially driven by the successful adjustment of our sales strategy, which is to address the specific needs of a wider range of hospital customers, since 2022 resulting in our long-term collaborative relationships with hospital customers. See "— Year Ended December 31, 2022 Compared to Year Ended December 31, 2021 — Revenue — Hospital Services." Such relationships, in turn, helped us deepen our understanding of customer needs and increased opportunities to provide value-added products and services to drive business growth. The number of customers with whom we signed contracts to implement Hospital Services projects increased from 73 in 2022 to 98 in 2023 and the number of projects we signed contracts to implement under our Hospital Services increased from 83 in 2022 to 113 in 2023.

- *Patient Services*: Our revenue generated from Patient Services significantly increased from RMB36.9 million in 2022 to RMB134.8 million in 2023, primarily due to (i) an increase in the number of total projects implemented and, as a result, an expanded end user base in connection with our digital imaging services on our Cloud Medical Imaging Platform; (ii) an increase in the continual provision of products and services of our Post-discharge Management Tools and Cloud Medical Imaging Platform; and (iii) an increase in the sales of our Medical Device, as a result of the successful launch of our hearing aids in June 2022, which witnessed a significant growth in 2023, and the successful launch and sales of our Zunxiang version of hearing aids in 2023. The number of customers with whom we signed contracts to implement Patient Services projects increased from 41 to 63 and the number of projects we signed contracts to implement under our Patient Services increased from 42 in 2022 to 71 in 2023. The revenue outgrew the number of projects in 2023 primarily due to our increased revenue from continual provision of products and services offered under the Post-Discharge Management Tools and the digital imaging services offered under the Cloud Medical Imaging Platform.

- *Regional Healthcare Solutions*: Our revenue generated from Regional Healthcare Solutions increased by 24.9% from RMB93.4 million in 2022 to RMB116.6 million in 2023, primarily due to the expansion of our customer base and an increase in project implementation in connection with our Regional Healthcare Administrator Services and Medical Insurance Administrative Solutions. The number of customers with whom we signed contracts to implement Regional Healthcare Solutions projects increased from 13 to 18 and the number of projects we signed contracts to implement under our Regional Healthcare Solutions increased from 14 in 2022 to 21 in 2023.

Cost of Sales

Our cost of sales remained relatively stable at RMB241.2 million in 2022 and RMB241.5 million in 2023, while we experienced a robust increase in revenue in the same year.

Gross Profit and Gross Profit Margin

Our gross profit increased by 36.4% from RMB230.7 million in 2022 to RMB314.7 million in 2023. Our gross profit margins increased from 48.9% in 2022 to 56.6% in 2023, reflecting increases in gross profit margins in all four of our business lines.

- *PHC Services*: Our gross profit generated from PHC Services decreased by 9.7% from RMB159.1 million in 2022 to RMB143.7 million in 2023, which is in line with the fluctuation in our revenue. Our gross profit margins generated from PHC Services increased from 53.4% in 2022 to 59.9% in 2023, primarily because our products and services continued to attain a higher level of standardization and correspondingly a decreased demand for customization and fine-tuning for both our General Practice CDSS and Chronic Disease Management Tools, resulting in a decreased cost of sales decreased as a percentage to revenue along with improved gross profit margins.

- *Hospital Services*: Our gross profit generated from Hospital Services increased significantly from RMB14.2 million in 2022 to RMB36.3 million in 2023. Our gross profit margins generated from Hospital Services increased from 32.6% in 2022 to 55.9% in 2023, primarily because our Specialty CDSS, which was in the early stage of development in 2022, successfully attained a higher level of standardization and correspondingly a decreased demand for customization and fine-tuning in 2023, resulting in a decreased cost of sales decreased as a percentage to revenue along with improved gross profit margins.

- *Patient Services*: Our gross profit generated from Patient Services increased significantly from RMB14.4 million in 2022 to RMB77.4 million in 2023. Our gross profit margins generated from Patient Services increased from 39.0% in 2022 to 57.4% in 2023. This is primarily due to (i) our ability to develop solutions in our Post-Discharge Management Platform Tools with reduced outsourced component and service and subsequently lower cost of sales; (ii) the decreased cost in local cloud storage and hardware procurement of our digital imaging services under the Cloud Medical Imaging Platform as it moved past the initial stage of implementation in Anhui Province. Such costs are required by nature at the initial stage of implementation of digital imaging services, during which it typically has relatively low gross profit margins; and (iii) the increased gross profit margins of our Medical Device, specifically our Zunxiang version hearing aids, as a result of increased average sales prices compared with relatively stable costs.

- *Regional Healthcare Solutions*: Our gross profit generated from Regional Healthcare Solutions increased by 33.2% from RMB43.0 million in 2022 to RMB57.2 million in 2023. Our gross profit margins generated from Regional Healthcare Solutions remained relatively stable at 46.0% and 49.1% in 2022 and 2023, respectively, representing our ability to lower the proportion of externally sourced products or services for our Regional Healthcare Administrator Services, which typically cause lower gross profit margins. This is substantially offset by the decreased gross profit margins of our Medical Insurance Administrative Solutions as we started to offer our solutions to hospitals in 2023 and required higher demand for customization and fine-tuning at this initial stage.

Other Income

Our other income increased by 10.4% from RMB44.0 million in 2022 to RMB48.6 million in 2023, primarily due to (i) an increase in a value-added tax ("**VAT**") refund we received in relation to the sales of software products as the sales of software products increased; and (ii) an increase in imputed interest income for long-term trade receivables in correspondence with an increase in the sum of long-term trade receivables and long-term trade receivables which had been reclassified as trade receivables; partially offset by a decrease in government grants supporting certain of our research and development projects.

Impairment Losses under the Expected Credit Loss Model, Net of Reversal

Our impairment losses under the expected credit loss model, net of reversal decreased by 28.1% from RMB8.6 million in 2022 to RMB6.2 million in 2023, primarily due to a decrease in expected credit losses on trade receivables in relation to a decrease in long-term trade receivables as of December 31, 2023 as compared to December 31, 2022.

Other Gains and Losses

Our other gains and losses decreased by 72.9% from RMB2.7 million in 2022 to RMB0.7 million in 2023, primarily due to a decrease in gains from changes in fair value of financial assets at FVTPL resulting from returns on structured deposits.

Selling Expenses

Our selling expenses remained relatively stable at RMB159.9 million in 2022 and RMB163.1 million in 2023, primarily reflecting our ability to control labor costs and traveling and hospitality expenses while we experience increased sales and marketing activities, and our ability to manage quality assurance expenses due to shortened quality assurance periods and reduced quality assurance activities demanded by our customers.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB109.4 million in 2022 and RMB112.6 million in 2023, primarily reflecting our ability to control and monitor our administrative activities and manage our administrative expenses based on our growing economies of scale.

Research and Development Expenses

Our research and development expenses increased by 9.3% from RMB241.6 million in 2022 to RMB264.0 million in 2023, primarily reflecting (i) an increase in labor costs in line with our increased investments in research and development; and (ii) an increase in costs of outsourced service due to an increase in outsourced non-core R&D work, such as basic technical services, resource labeling and software testing, to iFlytek Group and third parties.

Finance Costs

Our finance costs significantly increased from RMB0.6 million in 2022 to RMB1.2 million in 2023, primarily reflecting an increase in interest expenses on bank borrowings as a result of increased bank borrowings.

Income Tax Credit

Our income tax credit amounted to RMB35.5 million in 2022 and RMB32.7 million in 2023. See Note 11 to the Accountants' Report in Appendix I to this prospectus.

Loss and Total Comprehensive Expense for the Year

As a result of the foregoing, our loss and total comprehensive expense for the year decreased by 26.1% from RMB208.6 million in 2022 to RMB154.2 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 26.7% from RMB372.5 million in 2021 to RMB471.9 million in 2022, primarily due to increases in the revenues generated from PHC Services and Regional Healthcare Solutions.

- *PHC Services*: Revenue generated from PHC Services increased by 38.3% from RMB215.6 million in 2021 to RMB298.1 million in 2022, primarily due to increases in our provision of both General Practice CDSS and Chronic Disease Management Tools. This is primarily attributable to (i) increased average selling prices of our project implementation primarily in relation to the implementation of certain large-scale projects for the health commissions of provinces or cities. For example, we implemented (a) a PHC Services project for the health commission of a province with a contract sum of more than RMB50 million; (b) a comprehensive project for the health commission of a city, of which more than RMB30 million was attributed to the PHC Services; and (c) a comprehensive project for the PHC institutions in a city, of which more than RMB70 million was attributed to PHC Services; and (ii) an increase in our continual provision of products and services.

- *Hospital Services*: Revenue generated from Hospital Services decreased by 47.2% from RMB82.3 million in 2021 to RMB43.5 million in 2022, primarily because of the higher base of revenue generated from Hospital Services in 2021 in relation to the implementation of certain larger scale projects. We also recorded a decreased average contract amount for individual projects in 2022. Meanwhile, according to Frost & Sullivan, the heightened awareness among the public has driven the demands for value-added services. In response to this trend, we have adopted an additional refined sales strategy to communicate with and offer our products and services more directly to individual hospital customers rather than reaching hospital customers through regional healthcare administrators. Specifically, we began to enhance our industry understanding to launch products and services such as our Specialized CDSS module to address demand of each hospital customer. This strategy strengthened our ability to address a wider range of specific requirements across different hospital customers, contributing to our enhanced collaborative relationships with such customers which, in turn, increased opportunities to provide value-added products and services to drive business growth. The number of customers with whom we signed contracts to implement Hospital Services increased from 54 in 2021 to 73 in 2022 and the number of projects we signed contracts to implement under our Hospital Services increased from 61 in 2021 to 83 in 2022.

- *Patient Services*: Revenue generated from Patient Services increased by 14.3% from RMB32.3 million in 2021 to RMB36.9 million in 2022, primarily due to an increase in the amount of our products and services provided in relation to our Cloud Medical Imaging Platform after our acquisition of Imaging Union in July, 2021. The number of customers with whom we signed contracts to implement projects Patient Services increased from 12 in 2021 to 41 in 2022 and the number of projects we signed contracts to implement under our Patient Services increased from 13 in 2021 to 42 in 2022.

- *Regional Healthcare Solutions*: Revenue generated from Regional Healthcare Solutions significantly increased from RMB42.3 million in 2021 to RMB93.4 million in 2022, primarily due to increases in our provision of both Regional Healthcare Administrator Services and Medical Insurance Administrative Solutions. This is primarily attributable to (i) the expansion of our customer base and an increase in project implementation in connection with our Regional Healthcare Solutions, especially in regions outside of Anhui Province and (ii) the market acceptance of certain of our newly launched modules, such as the universal health information platform and the EWARS solutions. The number of customers with whom we signed contracts to implement Regional Healthcare Solutions increased from 12 in 2021 to 13 in 2022 and the number of projects we signed contracts to implement under our Regional Healthcare Solutions increased from 11 in 2021 to 14 in 2022. Our revenue outgrew the number of projects mainly because of several large-scale projects with large contract amounts in 2022, which was partially a result of the expanded customer demand in response to our newly launched modules in 2022. We implemented six projects with a contract amount of over RMB10 million in 2022, while only two projects with similar contract amount in 2021. For example, in 2022, we implemented (i) a comprehensive project for the health commission of a city, of which more than RMB30 million of the contract sum was attributed to Regional Healthcare Solutions; and (ii) a Regional Healthcare Solutions project for the Centers for Disease Control and Prevention of a city with a contract sum of more than RMB20 million.

Cost of Sales

Our cost of sales increased by 30.6% from RMB184.7 million in 2021 to RMB241.2 million in 2022, which was in line with the increase in the sales of our products and services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 22.9% from RMB187.7 million in 2021 to RMB230.7 million in 2022. Our gross profit margins remained relatively stable at 50.4% and 48.9% in 2021 and 2022, respectively, primarily reflecting an increase in gross profit margins in PHC Services, substantially offset by decreases in gross profit margins in Hospital Services, Patient Services and Regional Healthcare Solutions.

- *PHC Services*: Our gross profit generated from PHC Services increased by 50.3% from RMB105.9 million in 2021 to RMB159.1 million in 2022. Our gross profit margins generated from PHC Services increased from 49.1% in 2021 to 53.4% in 2022, respectively, primarily because our products and services attained a higher level of standardization and correspondingly a decreased demand for customization and fine-tuning. As a result, our cost of sales decreased as a percentage to revenue along with improved gross profit margins.

- *Hospital Services*: Our gross profit generated from Hospital Services decreased by 66.2% from RMB42.0 million in 2021 to RMB14.2 million in 2022. Our gross profit margins generated from Hospital Services decreased from 51.0% in 2021 to 32.6% in 2022, primarily because our Specialty CDSS provided for hospital customers was still in early stages of development and had not attained a high level of standardization, which required extensive customization and fine-tuning. Consequently, our cost of sales increased as a percentage of revenue, resulting in decreased gross profit margins.

- *Patient Services*: Our gross profit generated from Patient Services remained relatively stable at RMB14.7 million and RMB14.4 million in 2021 and 2022, respectively. Our gross profit margins generated from Patient Services decreased from 45.5% in 2021 to 39.0% in 2022, primarily due to an increased proportion of solutions in our Post-Discharge Management Platform Tools that required us to strategically source and integrate external products or services to meet customers' demand. The higher proportion of external products and services resulted in higher cost of sales as a percentage of revenue and, correspondingly, lower gross profit margins.

- *Regional Healthcare Solutions*: Our gross profit generated from Regional Healthcare Solutions increased by 70.7% from RMB25.2 million in 2021 to RMB43.0 million in 2022. Our gross profit margins generated from Regional Healthcare Solutions decreased from 59.6% in 2021 to 46.0% in 2022, primarily because we expanded the provision of Regional Healthcare Administrator Services which required us to strategically source and integrate external products or services to meet customers' demand. The higher proportion of external products and services resulted in higher cost of sales as a percentage of revenue and, correspondingly, lower gross profit margins.

Other Income

Our other income increased by 40.9% from RMB31.2 million in 2021 to RMB44.0 million in 2022, primarily due to: (i) an increase in our government grants in supporting our research and development as well as financing activities; and (ii) an increase in interest income from bank deposits as a result of increased bank deposits generated from our financing activities in 2021, as partially offset by a decrease in value-added tax refund in relation to sales of software products as the sales of software products decreased.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model increased from RMB0.6 million in 2021 to RMB8.6 million in 2022 due to an increase in expected credit losses on trade receivables as a result of (i) an increase in long-term trade receivables; and (ii) longer payment cycles of certain regional healthcare administrator customers associated with our trade receivables.

Other Gains and Losses

We recorded our losses of RMB0.4 million in 2021 and other gains of RMB2.7 million in 2022, primarily due to an increase in gains from changes in the fair value of financial assets at FVTPL resulting from returns on structured deposits.

Selling Expenses

Our selling expenses increased by 76.4% from RMB90.7 million in 2021 to RMB159.9 million in 2022, which was mainly due to (i) an increase in labor costs as we expanded our sales and marketing team; and (ii) an increase in traveling and hospitality expenses in line with our increased sale and marketing activities.

Administrative Expenses

Our administrative expenses increased by 57.7% from RMB69.3 million in 2021 to RMB109.4 million in 2022, primarily due to an increase in restricted share units granted to certain administrative employees.

Research and Development Expenses

Our research and development expenses increased by 51.2% from RMB159.8 million in 2021 to RMB241.6 million in 2022, primarily due to (i) an increase in labor costs in line with our increased investments in research and development and (ii) an increase in restricted share units granted to certain research and development employees.

Finance Costs

Our finance costs decreased from RMB2.9 million in 2021 to RMB0.6 million in 2022, primarily due to (i) a decrease in interest on loans from the Controlling Shareholder as we settled our loan with iFlytek Group; and (ii) a decrease in interest on bank borrowings due to decreased bank borrowings.

Income Tax Credit

Our income tax credit amounted to RMB21.6 million in 2021 and RMB35.5 million in 2022. See Note 11 to the Accountants' Report in Appendix I to this prospectus.

Loss and Total Comprehensive Expense for the Year

As a result of the foregoing, our loss and total comprehensive expense for the year increased by 133.3% from RMB89.4 million in 2021 to RMB208.6 million in 2022.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
Non-current assets				
Equipment	8,400	10,176	13,879	12,400
Right-of-use assets	2,874	1,142	1,716	1,202
Goodwill	23,777	23,777	23,777	23,777
Other intangible assets	205,473	166,013	158,322	156,526
Deferred tax assets	42,813	74,829	105,699	134,150
Long-term trade receivables	–	99,790	79,195	80,709
Pledged/restricted bank deposits	3,400	1,903	1,875	1,875
	286,737	377,630	384,463	410,639

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
Current assets				
Inventories	32,365	46,888	73,529	85,926
Trade and other receivables	176,777	304,883	533,260	596,557
Contract assets	20,305	16,426	8,153	13,699
Tax recoverable	115	134	23	88
Amount due from the ultimate holding company	9,547	5,185	6,707	8,622
Amounts due from fellow subsidiaries	49,799	26,065	58,459	42,140
Financial assets at FVTPL	–	85,000	25,000	–
Pledged/restricted bank deposits	3,941	4,355	5,516	11,237
Cash and cash equivalents	434,227	163,018	142,504	101,966
	727,076	651,954	853,151	860,235
Current liabilities				
Bill, trade and other payables	186,911	310,734	379,664	380,043
Bank borrowings	77,084	–	88,000	174,000
Amount due to the ultimate holding company	130,784	179,829	33,306	62,037
Amounts due to related companies	11,913	31,587	65,962	88,955
Lease liabilities	1,768	731	1,047	1,047
Provision	27,305	49,089	61,035	57,379
Contract liabilities	49,878	27,396	39,681	26,646
Deferred income	1,876	4,074	2,352	910
	487,519	603,440	671,047	791,017
Net current assets	**239,557**	**48,514**	**182,104**	**69,218**
Total assets less current liabilities	**526,294**	**426,144**	**566,567**	**479,857**

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
Non-current liabilities				
Lease liabilities	719	–	504	–
Bank borrowing	–	–	–	20,000
Long-term other payable	8,067	8,067	–	–
Deferred tax liabilities	20,477	18,340	16,203	15,135
	29,263	26,407	16,707	35,135
Net assets	**497,031**	**399,737**	**549,860**	**444,722**
Capital and reserves				
Share capital	36,950	111,000	113,843	113,843
Reserves	389,615	230,231	384,944	283,448
Equity attributable to owners of the Company	426,565	341,231	498,787	397,291
Non-controlling interests	70,466	58,506	51,073	47,431
Total equity	**497,031**	**399,737**	**549,860**	**444,722**

Current Assets and Liabilities

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

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	(RMB'000)				(unaudited)
Current assets					
Inventories	32,365	46,888	73,529	85,926	100,426
Trade and other receivables	176,777	304,883	533,260	596,557	649,936
Contract assets	20,305	16,426	8,153	13,699	16,791
Tax recoverable	115	134	23	88	88

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
		(RMB'000)			*(unaudited)*
Amount due from the ultimate holding company	9,547	5,185	6,707	8,622	4,225
Amounts due from fellow subsidiaries	49,799	26,065	58,459	42,140	42,066
Financial assets at FVTPL	–	85,000	25,000	–	–
Pledged/restricted bank deposits	3,941	4,355	5,516	11,237	13,215
Cash and cash equivalents	434,227	163,018	142,504	101,966	77,189
Total current assets	**727,076**	**651,954**	**853,151**	**860,235**	**903,936**
Current liabilities					
Bill, trade and other payables	186,911	310,734	379,664	380,043	378,650
Bank borrowings	77,084	–	88,000	174,000	205,000
Amount due to the ultimate holding company	130,784	179,829	33,306	62,037	70,748
Amounts due to related companies	11,913	31,587	65,962	88,955	88,843
Lease liabilities	1,768	731	1,047	1,047	4,617
Provisions	27,305	49,089	61,035	57,379	62,810
Contract liabilities	49,878	27,396	39,681	26,646	40,104
Deferred income	1,876	4,074	2,352	910	182
Total current liabilities	**487,519**	**603,440**	**671,047**	**791,017**	**850,954**
Net current assets	**239,557**	**48,514**	**182,104**	**69,218**	**52,982**

Our net current assets decreased from RMB69.2 million as of June 30, 2024 to RMB53.0 million as of October 31, 2024, primarily due to an increase in bank borrowings, partially offset by an increase in trade and other receivables due to an increase in the sales of our products and services.

Our net current assets decreased from RMB182.1 million as of December 31, 2023 to RMB69.2 million as of June 30, 2024, primarily due to (i) a decrease in cash and cash equivalents; and (ii) an increase in bank borrowings.

Our net current assets increased from RMB48.5 million as of December 31, 2022 to RMB182.1 million as of December 31, 2023, primarily due to an increase in trade and other receivables primarily due to (i) an increase in the sales of our products and services and the longer payment cycle of certain regional healthcare administrator customers; and (ii) a decrease in amounts due to the ultimate holding company as a result of the settlement of certain amounts due to it.

Our net current assets decreased from RMB239.6 million as of December 31, 2021 to RMB48.5 million as of December 31, 2022, primarily due to (i) a decrease in cash and cash equivalents in relation to an increase in net cash used in operating activities in line with our business growth; and (ii) an increase in bill, trade and other payables due to an increase in purchases of goods and services from our suppliers in line with our business growth.

Inventories

Our inventories primarily include (i) materials and components acquired for project implementation; (ii) contract fulfillment cost which incurred for satisfying undergoing projects under the contracts with our customers and is expected to be reduced and recognized as revenue; and (iii) finished products, mainly representing hardware products produced but not yet delivered to customers. We had inventories of RMB32.4 million, RMB46.9 million, RMB73.5 million and RMB85.9 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. Our inventories increased by 44.9% from RMB32.4 million as of December 31, 2021 to RMB46.9 million as of December 31, 2022, by 56.8% to RMB73.5 million as of December 31, 2023 and further by 16.9% to RMB85.9 million as of June 30, 2024, mainly due to an increase in contract fulfillment cost resulting from increased undergoing projects, which is in line with our business growth.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
Materials and components	2,508	5,897	2,212	3,002
Contract fulfillment cost	28,861	38,754	61,174	65,319
Finished products	996	2,237	10,143	17,605
Total	**32,365**	**46,888**	**73,529**	**85,926**

In determining provision on inventories, our management perform a regular review of the carrying amounts of inventories with reference to the aged analysis of inventories and projections of the expected future saleability of goods, based on their experience and judgment. Inventories are measured at the lower of cost and net realizable value. If the cost of the inventory is higher than its net realizable value, a provision for inventory depreciation is made and recognized in the current period's profit and loss. The following table sets forth an aged analysis of inventories (i) based on warehousing date for materials and components and finished products and (ii) based on occurrence date for contract fulfillment cost as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
0 to 90 days	17,559	11,360	20,705	29,356
91 to 180 days	4,788	7,649	10,966	9,577
181 to 365 days	5,692	17,550	11,528	17,129
Over 1 year	4,326	10,329	30,330	29,864
Total	**32,365**	**46,888**	**73,529**	**85,926**

The following table sets forth our inventory turnover days for the Track Record Period:

	Year ended December 31,			Six Months ended June 30,
	2021	2022	2023	2024
Inventory turnover days[1]	55.9	60.0	91.0	132.9

Note:

(1) Inventory turnover days are calculated using the average of the opening balance and closing balance of inventories for a year/period divided by cost of sales for the relevant year/period and multiplied by 365/180 days.

Our inventory turnover days increased from 55.9 days in 2021 to 60.0 days in 2022, and increased to 91.0 days in 2023, primarily due to (i) an increase in contract fulfillment cost which are stipulated to be recognized as revenue after the customers receive, inspect and accept the relevant products or solutions; and (ii) an increase in finished products in line with our increased sales. Our inventory turnover days increased from 91.0 days in 2023 to 132.9 days in the six months ended June 30, 2024, primarily due to (i) an increase in finished products in line with the growth in our sales of Medical Device; and (ii) we generally recorded lower amount of cost of sales in the first quarter of the year as customers in the public sector typically conclude contracts in the fourth quarter of the year in accordance with internal financial budget approval procedures and their business plans.

As of October 31, 2024, RMB19.0 million, or 22.1% of inventories as of June 30, 2024, had been used, consumed or sold subsequent to June 30, 2024. We believe there is no recoverability issue for inventories because (i) the majority of inventories are contract fulfillment costs, the large proportion of which have been allocated to our ongoing contracts and are expected to be reduced and recognized as revenue during the second half, especially the fourth quarter of a year. See "— Major Factors Affecting Our Results of Operations — Company-specific Factors — Seasonality." The subsequent sale or use of these contract fulfillment costs depends solely on customer delivery instructions and acceptance and we maintain active communication with customers to ensure efficient management of project deliveries; and (ii) our finished products primarily consisted of hearing aids. The subsequent sale or use of hearing aids depends largely on our marketing strategies and key marketing events such as shopping festivals that occur each year in June and November. These hearing aids are ready for sale, non-perishable, non-fragile, and have relatively high gross profit margins.

Trade and Other Receivables

Our trade and other receivables primarily include (i) trade receivables, (ii) other receivables, (iii) advance to suppliers, (iv) prepayments for listing expenses, (v) deferred issue costs and (vi) other tax recoverable. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)			
Trade receivables	163,160	279,027	509,995	579,128
Less: allowance for credit losses	(825)	(5,428)	(11,729)	(18,451)
	162,335	273,599	498,266	560,677
Other receivables	6,538	15,054	9,509	9,073
Advance to suppliers	6,059	12,925	10,831	14,909
Prepayments for listing expenses	43	43	2,966	434
Deferred issue costs	1,609	1,984	3,111	5,132
Other tax recoverables	193	1,278	8,577	6,332
Total	**176,777**	**304,883**	**533,260**	**596,557**

Trade receivables

Our trade receivables primarily comprise receivables due from customers for products and services we provided in the ordinary course of business. We had trade receivables net of allowance of RMB162.3 million, RMB273.6 million, RMB498.3 million and RMB560.7 million, respectively, as of December 31, 2021, 2022, 2023 and June 30, 2024. Our trade receivables increased by 71.0% from RMB163.2 million as of December 31, 2021 to RMB279.0 million as of December 31, 2022, by 82.8% to RMB510.0 million as of December 31, 2023 and further by 13.6% to RMB579.1 million as of June 30, 2024, mainly as a result of an increase in the sales of our products and services and the longer payment cycles of certain regional healthcare administrator customers.

We decide credit terms with our customers on a project-by-project basis. We grant a credit period of less than 90 days to the majority of our customers following the fulfillment of payment conditions. We may also grant a longer credit period, generally over 100 days but within a year to key customers, such as local healthcare administrative customers, in line with our business expansion and strategy to increase market penetration. Trade receivables are generally settled in accordance with the terms of the respective contracts on a case-by-case basis. We seek to maintain strict control over our outstanding receivables. Our credit control department is responsible for minimizing credit risks. Overdue balances are reviewed regularly by senior management. The following table sets forth an aged analysis of trade receivables net of allowance for doubtful debts presented based on transaction dates:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)			
0 to 90 days	118,437	106,884	135,211	115,613
91 to 180 days	5,444	41,354	77,951	43,050
181 to 365 days	14,307	28,978	76,193	162,443
1 to 2 years	23,655	73,770	132,624	176,421
2 to 3 years	16	22,261	65,357	41,281
Over 3 years	476	352	10,930	21,869
Total	**162,335**	**273,599**	**498,266**	**560,677**

As of June 30, 2024, the trade receivables aged over one year amounted to RMB239.6 million. Most of our trade receivables aged over one year are due from our regional healthcare administrator and other SOE customers. The following table sets forth the breakdown of trade receivables aged over one year by type of customer in absolute amount and percentage of the total trade receivables aged over one year as of the date indicated:

	As of June 30, 2024	
	(RMB'000, %)	
Regional healthcare administrator and other SOE customers	198,850	83.0
Hospital customers	9,363	3.9
Other non-SOE customers	31,358	13.1
Total	**239,571**	**100.0**

As of October 31, 2024, we have settled RMB13.4 million in trade receivables with customers from which we had trade receivables aged over one year as of June 30, 2024. The RMB13.4 million trade receivables are trade receivables of all ages from these customers. Among the RMB13.4 million in trade receivables settled, RMB11.2 million aged over one year.

The following table sets forth the breakdown of revenue contribution from the customers from whom we had outstanding trade receivables aged over one year as of June 30, 2024, in absolute amount and percentage of total revenue for the Track Record Period:

	Year ended December 31,						Six Months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000, % of total revenue)									
Regional healthcare administrator and other SOE customers	122,164	32.8	171,498	36.3	55,223	9.9	35,380	18.2	4,990	2.2
Hospital customers	1,478	0.4	10,884	2.3	17,272	3.1	13,957	7.2	2,545	1.1
Other non-SOE customers	6,128	1.6	5,905	1.3	38,272	6.9	36,491	18.8	1,834	0.8
Total	**129,770**	**34.8**	**188,287**	**39.9**	**110,767**	**19.9**	**85,828**	**44.1**	**9,369**	**4.1**

The following tables set forth the aged analysis of our trade receivables by type of customer as of the dates indicated:

Regional healthcare administrator and other SOE customers

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
0 to 90 days	105,033	82,340	68,857	38,627
91 to 180 days	4,171	40,427	69,780	15,497
181 to 365 days	12,338	19,984	33,099	129,629
1 to 2 years	21,155	68,233	127,482	138,538
2 to 3 years	0	20,653	63,623	40,296
Over 3 years	0	352	9,857	20,017
Total	**142,697**	**231,989**	**372,698**	**382,603**

Hospital customers

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
0 to 90 days	740	17,270	34,726	45,390
91 to 180 days	14	171	7,581	20,293
181 to 365 days	395	5,204	11,980	19,523
1 to 2 years	16	236	2,598	8,733
2 to 3 years	0	16	105	311
Over 3 years	0	0	16	319
Total	**1,165**	**22,897**	**57,006**	**94,569**

Other non-SOE customers

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
0 to 90 days	12,665	7,274	31,627	31,595
91 to 180 days	1,260	756	590	7,259
181 to 365 days	1,574	3,790	31,114	13,292
1 to 2 years	2,484	5,301	2,545	29,150
2 to 3 years	16	1,592	1,629	674
Over 3 years	476	0	1,057	1,533
Total	**18,475**	**18,713**	**68,562**	**83,505**

The following table sets forth the amount of trade receivables overdue and not overdue in absolute amount and percentage of the total amount of trade receivables as of the dates indicated:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	(RMB'000, %)							
Amount overdue	64,773	39.7	159,285	57.1	324,865	63.7	452,073	78.1
Amount not overdue	98,387	60.3	119,742	42.9	185,130	36.3	127,055	21.9
Trade receivables	**163,160**	**100.0**	**279,027**	**100.0**	**509,995**	**100.0**	**579,128**	**100.0**

The following tables set forth the aged analysis of our trade receivables overdue by type of customer as of the dates indicated:

Regional healthcare administrator and other SOE customers

	As of December 31,			As of June 30,
	2021	2022	2023	2024
0 to 90 days	27,389	22,444	19,758	29,319
91 to 180 days	1,254	12,501	68,302	13,687
181 to 365 days	1,670	19,318	24,492	128,881
1 to 2 years	19,574	67,325	75,331	96,425
2 to 3 years	–	19,563	62,297	43,038
Over 3 years	–	–	11,245	21,728
Total	**49,888**	**141,151**	**261,426**	**333,077**

Hospital customers

	As of December 31,			As of June 30,
	2021	2022	2023	2024
0 to 90 days	1	3,970	8,353	19,050
91 to 180 days	0	16	2,892	16,938
181 to 365 days	0	336	9,980	16,922
1 to 2 years	0	–	1,046	8,157
2 to 3 years	–	–	0	102
Over 3 years	–	–	–	33
Total	**1**	**4,322**	**22,271**	**61,504**

Other non-SOE customers

	As of December 31,			As of June 30,
	2021	2022	2023	2024
0 to 90 days	10,053	2,804	7,115	6,331
91 to 180 days	819	722	624	5,588
181 to 365 days	1,362	3,479	29,534	11,299
1 to 2 years	2,392	5,258	1,829	29,608
2 to 3 years	17	1,548	1,025	1,120
Over 3 years	240	–	1,043	3,546
Total	**14,884**	**13,811**	**41,168**	**57,492**

The following table sets forth our trade receivables turnover days for the Track Record Period:

	Year ended December 31,			Six Months ended June 30,
	2021	2022	2023	2024
Trade receivables turnover days[1]	160.1	249.9	305.6	450.2
Trade receivables turnover days – from regional healthcare administrator and other SOE customers[2]	157.6	268.7	462.3	1,034.1
Trade receivables turnover days – from hospital customers[2]	72.4	133.4	139.2	161.7
Trade receivables turnover days – from other non-SOE customers[2]	276.3	218.7	134.8	219.0

Notes:

(1) Trade receivables turnover days are calculated using the average of opening balance and closing balance of trade receivables for a year/period divided by revenue (in relation to trade receivables, excluding revenue in relation to the amounts due from the ultimate holding company or long-term trade receivables, which are separately recorded on the consolidated statement of financial position) for the relevant year/period and multiplied by 365/180 days.

(2) Trade receivables turnover days from the indicated type of customer are calculated using the average of opening balance and closing balance of trade receivables from the indicated type of customer for a year/period divided by revenue (in relation to trade receivables, excluding revenue in relation to the amounts due from the ultimate holding company or long-term trade receivables, which are separately recorded on the consolidated statement of financial position) for the relevant year/period and multiplied by 365/180 days.

We had relatively long and increasing trade receivables turnover days during the Track Record Period. In addition, our trade receivables aged over one year and our trade receivables overdue increased throughout the Track Record Period. This is primarily because our regional healthcare administrator and other SOE customers are in the public sector and typically have a long payment cycle as required by their internal financial management and payment approval processes.

We recorded longer average turnover days of trade receivables in 2022 than in 2021, primarily because of (i) the increase in the sales or our products and services during the same period and (ii) the negative impact of the COVID-19 pandemic, which affected the budget and liquidity of our regional healthcare administrator customers and also affected the operational capital turnover of our other non-SOE customers who were awarded contracts by regional healthcare administrators. The collection of revenue generated from such customers was impacted by the COVID-19 pandemic as they focused their financial resources on containing and combating the COVID-19 pandemic. This resulted in a temporary diversion of part of their financial resources for other healthcare purposes such as setting up temporary treatment facilities or purchasing emergency medical equipment and supplies, purchasing personal protective equipment and support for healthcare staff, leading to temporary delayed payments for our products and services and therefore the further increase in trade receivables turnover days, especially those in relation to trade receivables from regional healthcare administrator and other SOE customers. We recorded longer average turnover days of trade receivables in 2023 compared to 2022, primarily because (i) the sales or our products and services increased during the same period; (ii) after the easing of the COVID-19 pandemic, it has taken time for certain of our regional healthcare administrator customers to resume standard financial resource allocation schedules, leading to a temporary extension of internal payment approval processes and a slowdown in operational capital turnover; and (iii) there was a temporary slowdown in procurement and contract finalization of regional healthcare administrators, the process of which was affected by government policies aimed at enhancing government procurement processes and the management of medical insurance funds since late 2022, according to Frost & Sullivan. We recorded longer average turnover days of trade receivables in the six months ended June 30, 2024, compared to 2023, primarily because (i) of a temporary slowdown in procurement and contract finalization of regional healthcare administrators, as affected by government policies aimed at enhancing government procurement processes and the management of medical insurance funds since late 2022, according to Frost & Sullivan; and (ii) we generally recorded a lower amount of revenue in the first half of the year as customers in the public sector typically conclude contracts in the fourth quarter of the year in accordance with internal financial budget approval procedures and their business plans.

The turnover days for our trade receivables from hospital customers increased from 2021 to 2022 and subsequently remained relatively stable in 2023, primarily because we recognized revenue in 2021 and recovered all relevant trade receivables in 2021 for a project which contributed to more than half of our revenue from hospital customers in 2021. This project was paid with national special funds which were not affected by the COVID-19 pandemic as the funds were prepared and dedicated to national projects for the enhancement of diagnosis and treatment for complicated diseases. As a result, the turnover days for our trade receivables from hospital customers in 2021 was low. The turnover days for our trade receivables from hospital customers increased from 2023 to the six months ended June 30, 2024, primarily because we generally recognize higher portion of revenue from hospital customers in the second half of the year. The turnover days for our trade receivables from other non-SOE customers decreased from 2021 to 2023 primarily because of the increase in our sales of Medical Device as a percentage of the revenue from other non-SOE customers throughout the same period. The sales of Medical Device, hearing aids, typically have shorter trade receivable turnover days compared with sales of our other products and services as hardware sales often involve immediate payment upon purchase. The turnover days for our trade receivables from other non-SOE customers increased in the six months ended June 30, 2024, primarily due to delayed payment from one of our major non-SOE customers. This customer was an intermediary for an end user, which was a county-level health commission, and we directly implemented the relevant projects and provided relevant services to the end user. As of June 30, 2024, a large proportion of revenue has been recognized from this customer whereas this customer did not receive payment from the end user because the fiscal budget has not been disbursed to the end user, as after the easing of the COVID-19 pandemic, it has taken time for the local government to resume standard financial resource allocation schedules, leading to a temporary extension of its internal payment approval processes and a slowdown in operational capital turnover. We have been in active communication with this customer, issued a demand letter in the later half of 2023 and issued a lawyer's letter in 2024 to this customer to collect its delayed payment. Upon receiving the lawyer's letter, this customer engaged in active communication with the end user. We will consider initiating litigation if the customer does not further respond with actual payment, undertaking letter or other gesture indicating its intention to pay in the near future.

According to Frost & Sullivan, our credit period and trade receivables turnover days are in line with industry practice. To manage risks associated with trade receivables, we maintain frequent communications with our customers to ensure effective credit control. The good historical credit standing of our customers and our stable relationship with them also contribute to the relatively long credit term extended to them. We believe that the credit risk inherent in our outstanding trade receivable balances due from them is low.

Meanwhile, we apply the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for trade receivables, long-term trade receivables, trade receivables due from related parties and contract assets.

We use a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort. We perform impairment assessment under the ECL model on all trade receivables with credit-impaired individually. Except for items that are subject to individual evaluation, which are assessed for impairment individually, all remaining trade receivables are grouped based on shared credit risk characteristics by reference to past due exposure to customers. As at December 31, 2021, 2022 and 2023 and June 30, 2024, we provided credit loss allowances of approximately RMB0.8 million, RMB5.1 million, RMB9.0 million and RMB16.4 million for trade receivables based on collective assessment, and impairment allowances of RMB0.009 million, RMB0.4 million, RMB2.7 million and RMB2.0 million were assessed individually on trade receivables with gross carrying amounts of RMB0.08 million, RMB3.2 million, RMB18.3 million and RMB7.8 million, respectively. The grouping is regularly reviewed by our management to ensure relevant information about specific debtors is updated. We believe sufficient allowance for credit losses has been provided for our trade receivables. For details of the basis as to how ECL is derived, see Note 37 to the Accountants' Report in Appendix I to this prospectus. The Reporting Accountant has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of

Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole in the Accountants' Report in Appendix I to this prospectus. The Reporting Accountant's opinion on our historical financial information for the Track Record Period as a whole is set out in the Accountants' Report in Appendix I to this prospectus. In addition, we have engaged AVISTA Valuation Advisory Limited, an independent valuation consultant with qualifications to conduct an analysis on our trade receivables, who confirms that sufficient provision for trade receivables has been made.

Approximately RMB78.9 million or 13.6%, of our trade receivables as of June 30, 2024 had been settled as of October 31, 2024. We have assessed the recoverability of our relevant outstanding trade receivables. Our Directors believe there is no recoverability issue for our trade receivables based on (i) the fact that sufficient provision for trade receivables has been made, as confirmed by an independent valuation consultant we engaged to advise on this matter; (ii) the fact that there has been no historical write-off of any trade receivables; (iii) our evaluation of the good reputation and historical credit standing of our customers; (iv) our working capital management policies; and (v) the actions taken to ensure the recovery of overdue debts. We have adopted credit control measures to improve the trade receivables situation, including the following:

- Our sales members are tasked with following up on customer payments with monthly targets. Depending on the amount and overdue days, we coordinate multiple departments, including the sales team, finance team and our senior management, to devise trade receivable collection plans analyzing issues involved and efforts needed, as well as specifying time frames and responsible employees.

- The collection of trade receivables is factored in the quarterly to semiannual performance appraisal of our sales team and relevant management members. This aspect of performance influences up to 30% of the overall assessment.

- Our senior management including the general manager, financial director and vice presidents regularly review overdue payments and lead the aforementioned devising of trade receivable collection plans to ensure timely measures are taken to address collection issues. For key customers and customers from which we have a relatively large amount of trade receivables, our senior management actively engages in the communication with their senior management to ensure the collection of such trade receivables. For example, for the sales of comprehensive services to a municipal regional healthcare administrator customer, the customer and us agreed on payment terms with us where the total contract value is paid in five installments over five years, with the first installment due on December 31, 2023 The second instalment will become due by the end of 2024. See "— Non-Current Assets and Liabilities — Long-term Trade Receivables" for details. As the first installment became overdue, our senior management started to actively communicate with multiple members of the senior management of this customer in 2024. As a result of this active communication, the customer has paid us RMB1.0 million in the three months ended March 31, 2024 and signed a letter of undertaking in April 2024 undertaking to pay the remainder of the first installment and a small portion of the second installment in 2024, totaling RMB20 million which has been included in the fiscal budget for 2024. We are in active communication with this customer to arrange the full payment of the second installment. To the best of our knowledge, the payment of the second installment will be subject to the fiscal budget of this customer. For the sales to another customer for the comprehensive services provided to an end user of a municipal health commission, the total contract value would be paid in three instalments over three years, with the first instalment due on December 31, 2023 and the second instalment due by the end of 2024, according to the original contract terms. As of Latest Practicable Date, we have been actively communicating with this customer and working to reach a supplemental agreement on a new payment schedule aiming to receive full payment by the end of 2026.

- For trade receivables overdue for more than six months, we generally involve our legal department to take actions such as issuing demand or lawyer's letters and initiating litigation. Prior to taking official legal actions, we assess the condition of the trade receivables by examining factors including the payment history of the respective customers and our business relationship with them. For customers who possess a commendable track record of creditworthiness, maintain robust business relations with us and engage in ongoing communication with us about their trade receivable payments, our sales team continue pursuing payment collection through amicable communication. If we identify indications of payment collection difficulties or if the outstanding trade receivables from these customers remain unpaid for a prolonged period of time, our legal department takes over the management of such trade receivables with further actions. For example, to further remind and strongly urge our customers to make payments, we issued 10, 40, 57, 10, 34 and 19 demand or lawyer's letters in 2021, 2022, 2023, the six months ended June 30, 2023 and 2024 and the two months started July 1, 2024 and ended August 31, 2024, respectively.

For customers who are not responsive to our demand or lawyer's letters or who fail to pay outstanding trade receivables after a prolonged period following our issuance of demand or lawyer's letters, our legal department initiates litigation. In 2021, 2022, 2023, the six months ended June 30, 2023 and 2024 and the two months started July 1, 2024 and ended August 31, 2024, we initiated two, four, 11, one, four and one litigations, respectively, to obtain judgments or reach settlements so that we can legally require the customers to make payments. During the Track Record Period, trade receivables we collected using such official legal actions significantly increased and the success rate of litigations we initiated generally remained at nearly 100.0%. The following table sets forth the details of our official legal actions for the periods indicated:

	Year ended/As of December 31,			Six months ended/As of June 30,		Two months started July 1 and ended August 31,
	2021	2022	2023	2023	2024	2024
Number of customers covered[1]	9	30	50	5	32	20
Amount of trade receivables covered *(RMB'000)*[2]	17,361	24,238	82,828	1,015	45,488	15,846
Amount of trade receivables covered by demand and lawyer's letters *(RMB'000)*[2]	17,253	18,279	66,680	617	30,336	15,461
Amount of trade receivables collected through demand and lawyer's letters *(RMB'000)*[3]	1,504	10,830	12,493	577	2,557	1,212
Amount of trade receivables covered by litigations *(RMB'000)*[2]	108	5,958	16,148	399	15,152	385
Number of litigations initiated	2	4	11	1	4	1
Number of litigations that reached successful judgments or settlements[3]	2	4	11	1	3[6]	–[9]
Amount of trade receivables covered by successful judgments or settlements *(RMB'000)*[3]	108	5,958	16,148	399	10,336	–[9]
Amount of trade receivables collected through successful judgments or settlements *(RMB'000)*[3]	108	5,958	7,331	399	10,265	–[9]
Success rate of litigations (%)[4]	100.0	100.0	100.0	100.0	75.0[6]	–[9]
Recovery rate of litigations (%)[4]	100.0	100.0	45.4[5]	100.0	67.6[5]	–[9]
Trade receivables covered in the period indicated to the beginning balance of overdue trade receivables (%)[7]	N/A	37.4	52.0	0.6	14.0	3.5
Amount of trade receivables collected in the period indicated	1,612	16,788	19,824	975	12,822	1,306[9]
Trade receivables collected in the period indicated to the beginning balance of overdue trade receivables (%)[8]	N/A	25.9	12.5	0.6	4.0	0.3[9]

Notes:

(1) The number of customers covered refers to those involved in our official legal actions during the specified year or period.

(2) Trade receivables for which we not only issued a demand and/or lawyer's letter but also initiated a litigation in the period indicated are counted once. Such trade receivables are counted in the amount of trade receivables covered by litigations but not the amount of trade receivables covered by demand and lawyer's letters.

(3) Represents the trade receivables collected as of August 31, 2024, through the indicated official legal actions, among the trade receivables covered by the indicated official legal action in the period indicated, irrespective of when the amount was recovered. If trade receivables are pursued through sending demand letters and/or lawyer's letters, along with initiating litigation in separate years or periods, the amount recovered is included in the year or period in which the final legal action was taken. For example, the trade receivables for which we initiated litigations in 2021 but received payment in 2022 were included in the amount of trade receivables collected through the judgments or settlements in 2021.

(4) The success rate of litigations equals the amount of trade receivables covered by successful judgments or settlements in the period indicated divided by the amount of trade receivables covered by litigations in the same period. The recovery rate of litigations equals the amount of trade receivables collected through the successful judgments or settlements in the period indicated divided by the amount of trade receivables covered by litigations in the same period.

(5) Among the litigations that have successfully reached positive judgments or settlements, some customers have paid the outstanding trade receivables in full and others have arranged to pay by installments. Some of them have arranged to pay by instalment within 2024 and the rest within 2025.

(6) As of the August 31, 2024, we have settled three of the four litigations that we brought in the six months ended June 30, 2024. The litigation that had not been settled was *sub judice* as of the Latest Practicable Date.

(7) The trade receivables covered to the total amount of overdue trade receivables in the period indicated equals amount of trade receivables covered in the period indicated divided by the total amount of overdue trade receivables at the beginning of the same period and multiplied by 100%.

(8) The trade receivables collected to the total amount of overdue trade receivables in the period indicated equals amount of trade receivables collected in the period indicated divided by the total amount of overdue trade receivables at the beginning of the same period and multiplied by 100%.

(9) We brought one litigation in the two months started July 1, 2024 and ended August 31, 2024 with the amount in dispute of RMB385,000. As of the Latest Practicable Date, the litigation has been settled and the customer has made full payments to us.

We aim to maintain amicable communication with our customers but resort to legal measures to ensure the collection of overdue trade receivables. For example, for our sales of General Practice CDSS to a municipal health commission in 2020, the contract value became overdue by the end of 2020. Our sales team and senior management engaged in ongoing communications with this customer for payment collection. Our legal department also issued lawyers' letters to this customer in 2021 and 2023, respectively. The customer subsequently pledged to pay the overdue trade receivables by 2023 but was unable to fulfill this commitment. As a result, our legal department initiated litigation in 2024, following which the customer paid up its overdue trade receivables. Notwithstanding our effective measures to recover overdue trade receivables as demonstrated above, most of our trade receivables are due from regional healthcare administrator and other SOE customers, some of whom have a long-term business relationship with us. As we plan to continue enhancing our brand image by further engaging in landmark projects for regional healthcare administrators, we assess the condition of the trade receivables with caution rather than bringing litigation against every regional healthcare administrator customer who has overdue trade receivables. As we plan and expect to derive a higher portion of revenue from Hospital Services and Patient Services, we anticipate a more straightforward process in the collection of trade receivables.

For the remaining overdue trade receivables, we maintain active communication with these customers and constantly monitor and evaluate the conditions of trade receivables to ensure timely measures are taken to address collection issues. Our senior management regularly review overdue payments and actively engages in the communication with our customers. Prior to taking official legal actions, we assess the condition of the trade receivables by examining factors including the payment history of the respective customers and our business relationship with them. If we identify indications of payment collection difficulties or if the outstanding trade receivables from these customers remain unpaid for a prolonged period of time, our legal department takes over the management of such trade receivables with further actions.

Other receivables

Our other receivables primarily consist of performance bonds expected to be recovered upon completion of projects. We had other receivables of RMB6.5 million, RMB15.1 million, RMB9.5 million and RMB9.1 million, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our other receivables significantly increased from RMB6.5 million as of December 31, 2021 to RMB15.1 million as of December 31, 2022, mainly due to an increase in the number of projects in line with our business growth. Our other receivables decreased by 36.8% from RMB15.1 million as of December 31, 2022 to RMB9.5 million as of December 31, 2023, mainly because we recovered a certain amount of performance bonds in 2022 and certain new contracts required letters of guarantee instead of performance bonds. Our other receivables remained relatively stable at RMB9.5 million as of December 31, 2023 and RMB9.1 million as of June 30, 2024.

Contract Assets

Our contract assets primarily consist of quality assurance deposits which are to be collected from customers once the underlying products and services are delivered in accordance with the stipulated performance obligations. We had contract assets of RMB20.3 million, RMB16.4 million, RMB8.2 million and RMB13.7 million, respectively, as of December 31, 2021, 2022, 2023 and June 30, 2024. Our contract assets decreased by 19.1% from RMB20.3 million as of December 31, 2021 to RMB16.4 million as of December 31, 2022, and further decreased by 50.4% to RMB8.2 million as of December 31, 2023, mainly because (i) we recovered a certain amount of quality assurance deposits; and (ii) we implemented payment terms in installments upon predetermined milestones for certain new contracts, which did not necessitate quality assurance deposits. Our contract assets increased by 68.0% from RMB8.2 million as of December 31, 2023 to RMB13.7 million as of June 30, 2024, mainly due to an increase in quality assurance deposits resulting from an increased number of contracts signed and projects carried over from 2023, which were delivered in the first quarter of 2024.

Substantially none of the contract assets as of June 30, 2024 had been settled as of October 31, 2024.

Amount Due from the Ultimate Holding Company

Our amount due from the ultimate holding company included both trade related receivables due from iFlytek Group associated with the products and services we provide to it and non-trade related receivables due from iFlytek Group. We had trade related amounts due from the ultimate holding company of RMB9.5 million, RMB5.2 million, RMB6.7 million and RMB8.6 million, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024. We had non-trade related amount due from the ultimate holding company of RMB0.3 million, nil, nil and nil, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024. Our amount due from the ultimate holding company decreased by 45.7% from RMB9.5 million as of December 31, 2021 to RMB5.2 million as of December 31, 2022, mainly due to a decrease in trade related receivables from iFlytek Group, which resulted from a decrease in products and services we provided to it as well as our recovery of a certain amount of trade receivables from it. Our amount due from the ultimate holding company subsequently increased by 29.4% from RMB5.2 million as of December 31, 2022 to RMB6.7 million as of December 31, 2023, and further increased by 28.6% to RMB8.6 million as of June 30, 2024. Such increase was mainly due to an increase in revenue generated from the products and services we provided to iFlytek Group. See Note 25 to the Accountants' Report in Appendix I to this prospectus.

The balances of trade nature are unsecured, non-interest bearing and repayable on demand. The balances of non-trade nature are unsecured and repayable on demand, which bears interest of 3.65% per annum. We had settled all non-trade balances of amounts due from the ultimate holding company as of June 30, 2024.

Amounts Due from Fellow Subsidiaries

Our amounts due from fellow subsidiaries primarily represent trade related receivables due from subsidiaries of iFlytek Group. We had amounts due from fellow subsidiaries of RMB49.8 million, RMB26.1 million, RMB58.5 million and RMB42.1 million as of December 31, 2021, 2022 and 2023 and June 30, 2024. The fluctuation in amounts due from fellow subsidiaries was in line with the changes in the volume of products and services we provided to such subsidiaries. See Note 25 to the Accountants' Report in Appendix I to this prospectus. The balances of trade nature are unsecured, non-interest bearing and repayable on demand. We have assessed the recoverability of our outstanding amounts due from fellow subsidiaries of trade nature and our Directors believe there is no recoverability issue based on (i) the fact that there has been no historical write-off of any amounts due from fellow subsidiaries of trade nature; (ii) the fact that 59.3% of the amounts due from fellow subsidiaries were aged 365 days or less as of June 30, 2024; (iii) the good reputation and historical credit standing of our fellow subsidiaries; (iv) our working capital management policies; and (v) the actions taken to ensure the recovery of overdue debts.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily include structured bank deposits. We had financial assets at FVTPL of nil, RMB85.0 million, RMB25.0 million and nil, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024. Our financial assets at FVTPL increased from nil as of December 31, 2021 to RMB85.0 million as of December 31, 2022, mainly because we purchased structured bank deposits in 2022. Our financial assets at FVTPL decreased by 70.6% from RMB85.0 million as of December 31, 2022 to RMB25.0 million as of December 31, 2023 and further decreased to nil as of June 30, 2024, mainly due to a decrease in our structured bank deposits.

During the Track Record Period, the products we purchased with idle funds comprised structured deposits and seven-day notice deposits, all of which are classified as deposit products and not as investments. Under our investment policy with respect to the purchase of financial assets, we monitor the levels of idle cash and bank balances and use this idle cash to increase our returns based on our working capital requirements at the relevant time. Under our internal control policies, our finance department manages and monitors the risks associated with our portfolio of financial assets. Our management, including our finance department, has extensive experience in managing the financial aspects of our operations. Our general manager is accountable to the board of directors and exercises the power to decide on our investment strategies and our purchase of financial assets provided that the cumulative amount does not exceed 10% of our total assets as per the most recent audited financial statement. Transactions exceeding the above limits must be submitted to the Board or shareholders' meeting for review.

Our investment strategy related to such structured deposits and seven-day notice deposits products focuses on minimizing financial risks, including market risk, credit risk and liquidity risk, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to financial products after thoroughly considering a number of factors, including but not limited to the macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our working capital conditions and the expected profit or potential loss of the investment.

Upon the Listing, we intend to continue our purchase of structured deposits and seven-day notice deposits, strictly in accordance with our internal control policy and Articles of Association, and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Bill, Trade and Other Payables

Our bill, trade and other payables primarily consist of (i) trade payables, which represent liabilities for goods and services provided to us that remain unpaid; (ii) bill payables, which represent liabilities for goods and services procured that are settled by bill; (iii) payroll payables; (iv) value-added tax and other tax payables; (v) payable for the acquisition of a subsidiary; and (vi) listing expenses and issue costs payables. Our bill, trade and other payables increased by 63.5% from RMB195.0 million as of December 31, 2021 to RMB318.8 million as of December 31, 2022, and further increased by 19.1% to RMB379.7 million as of December 31, 2023, mainly due to an increase in the trade payables relating to an increase in purchases of goods and services from our suppliers in line with our business growth. Our bill, trade and other payables remained relatively stable at RMB379.7 million as of December 31, 2023 and RMB380.0 million as of June 30, 2024.

The following table sets forth a breakdown of our bill, trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)			
Trade payables	92,245	189,271	242,665	262,525
Bill payables	17,793	22,207	38,379	49,688
Payroll payables	38,368	46,004	52,060	38,257
Value-added tax and other tax payables	9,877	23,888	30,363	18,226
Payable for acquisition of a subsidiary	32,270	32,270	8,067	–
Listing expenses and issue costs payable	3,649	2,609	4,371	7,813
Others	776	2,552	3,759	3,534
Total	**194,978**	**318,801**	**379,664**	**380,043**

The credit period of our trade creditors is generally 30 days. The following table sets forth an aged analysis of our trade payables presented based on the invoice date:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
0 to 90 days	79,160	122,362	161,661	137,603
91 to 180 days	3,575	7,458	14,849	29,212
181 to 365 days	1,431	19,039	27,212	50,819
Over 1 year	8,079	40,412	38,943	44,891
Total	**92,245**	**189,271**	**242,665**	**262,525**

The following table sets forth our trade and bill payables turnover days for the Track Record Period:

	Year ended December 31,			Six Months ended June 30,
	2021	2022	2023	2024
Trade and bill payables turnover days(1)	167.9	243.3	372.2	494.3
Trade and bill payables turnover days in terms of total purchase(2)	104.3	164.2	191.0	204.4

Notes:

(1) Trade and bill payables turnover days are calculated using the average of opening balance and closing balance of trade and bill payables for a year/period divided by cost of sales used for the relevant year/period and multiplied by 365/180 days.

(2) Trade and bill payables turnover days in terms of total purchase are calculated using the average of opening balance and closing balance of trade and bill payables for a year/period divided by total purchase from suppliers for the relevant year/period and multiplied by 365/180 days. For details of total purchase, see "Business — Suppliers."

Our trade and bill payables turnover days increased from 167.9 days in 2021 to 243.3 days in 2022, and to 372.2 days in 2023, mainly because (i) we had stable and amicable business relationships with suppliers and a good credit history in the ordinary course of business; and (ii) the terms of payment of certain trade and bill payables were not met due to prolonged project implementation and delays in the process of settlement and/or our agreement on new payment schedules with relevant suppliers. As a result, we are allowed to settle our payments with suppliers beyond the credit terms originally prescribed in the relevant contracts. Our trade and bill payables turnover days further increased to 494.3 days in the six months ended June 30, 2024, primarily because we usually recorded a higher cost of sales in the fourth quarter of the year as our customers in the public sector typically conclude contracts in the fourth quarter of the year in accordance with internal financial budget approval procedures and their business plans, resulting in higher turnover days in the first half of the year. According to Frost & Sullivan, our credit period and trade and bill payables turnover days are in line with industry practice. As advised by our PRC Legal Advisor, if we fail to make payment within the payment period stipulated by the contract and do not engage in any communication with suppliers, such non-payment shall be deemed a breach of contract; nevertheless, when we timely communicate with suppliers for an adjusted payment arrangement within the prescribed payment period, even if the actual payment is not made in strict conformity with the schedule set forth in the contract, such deviation does not automatically constitute a breach of contract. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any disagreements from the relevant suppliers in respect of such arrangements, nor has any dispute or legal proceeding occurred arising out of such arrangements.

Approximately RMB68.7 million, or 26.2%, of our trade payables as of June 30, 2024 had been settled as of October 31, 2024.

Amount Due to the Ultimate Holding Company

Our amount due to the ultimate holding company represents the trade related amount due to iFlytek Group associated with purchase of products and receiving services from it and the non-trade related amount due to iFlytek Group. We had trade related amounts due to the ultimate holding company of RMB129.2 million, RMB178.3 million, RMB33.3 million and RMB62.0 million, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024. Our non-trade related amounts due to the ultimate holding company remained at RMB1.6 million as of December 31, 2021 and 2022, and decreased to nil as of December 31, 2023 and June 30, 2024. Our amount due to the ultimate holding company increased by 37.5% from RMB130.8 million as of December 31, 2021 to RMB179.8 million as of December 31, 2022. Such an increase corresponded with increased payments for integrated goods and services provided by iFlytek Group, which was in line with our business growth. Our amount due to the ultimate holding company subsequently decreased by 81.5% to RMB33.3 million as of December 31, 2023. Such decrease was primarily due to the settlement of certain amounts due to it. Our amount due to the ultimate holding company increased by 86.3% from RMB33.3 million as of December 31, 2023 to RMB62.0 million as of June 30, 2024. Such an increase corresponded with increased payments for integrated goods and services provided by iFlytek Group, which was in line with our business growth. See Note 30 to the Accountants'

Report in Appendix I to this prospectus. The balance of trade nature and non-trade nature is unsecured, non-interest bearing and repayable on demand. Our non-trade balances of amounts due to the ultimate holding company have been settled as of June 30, 2024.

Amounts Due to Related Companies

Our amounts due to related companies primarily represent trade related amounts due to subsidiaries and associates of iFlytek Group. Our amounts due to related companies increased from RMB11.9 million as of December 31, 2021 to RMB31.6 million as of December 31, 2022, increased to RMB66.0 million as of December 31, 2023 and further increased to RMB89.0 million as of June 30, 2024. Such increase corresponded with increased payments for personnel and outsourcing services provided by these companies, which was in line with our business growth. See Note 30 to the Accountants' Report in Appendix I to this prospectus. The balance of trade nature is unsecured, non-interest bearing and repayable on demand.

Contract Liabilities

Our contract liabilities primarily represent advance payments from customers upon which the performance obligations have been established while the underlying products and services are yet to be provided. Our contract liabilities decreased by 45.1% from RMB49.9 million as of December 31, 2021 to RMB27.4 million as of December 31, 2022, primarily because (i) certain contract liabilities were recognized as revenue during 2022; and (ii) we required less advance payments and more progress payments from new customers in 2022. Our contract liabilities increased by 44.8% from RMB27.4 million as of December 31, 2022 to RMB39.7 million as of December 31, 2023, primarily due to an increase in advance payments from customers in line with our business growth. Our contract liabilities decreased by 32.8% from RMB39.7 million as of December 31, 2023 to RMB26.6 million as of June 30, 2024, primarily due to certain contract liabilities were recognized as revenue.

Approximately RMB7.3 million, or 27.2%, of our contract liabilities as of June 30, 2024 had been settled as of October 31, 2024.

Non-Current Assets and Liabilities

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

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'000)			
Non-current assets				
Equipment	8,400	10,176	13,879	12,400
Right-of-use assets	2,874	1,142	1,716	1,202
Goodwill	23,777	23,777	23,777	23,777
Other intangible assets	205,473	166,013	158,322	156,526
Deferred tax assets	42,813	74,829	105,699	134,150
Long-term trade receivables	–	99,790	79,195	80,709
Pledged/restricted bank deposits	3,400	1,903	1,875	1,875
Total non-current assets	**286,737**	**377,630**	**384,463**	**410,639**
Non-current liabilities				
Lease liabilities	719	–	504	–
Bank borrowing	–	–	–	20,000
Long-term other payable	8,067	8,067	–	–
Deferred tax liabilities	20,477	18,340	16,203	15,135
Total non-current liabilities	**29,263**	**26,407**	**16,707**	**35,135**
Net non-current assets	**257,474**	**351,223**	**367,756**	**375,504**

Other Intangible Assets

Our other intangible assets primarily consist of imaging platforms, intellectual property and development costs. Our other intangible assets decreased by 19.2% from RMB205.5 million as of December 31, 2021 to RMB166.0 million as of December 31, 2022, and further decreased by 4.6% to RMB158.3 million as of December 31, 2023, primarily due to amortization. Our other intangible assets remained relatively stable at RMB158.3 million as of December 31, 2023 and RMB156.5 million as of June 30, 2024. The intangible assets are amortized on a straight-line basis over their estimated useful lives of three to ten years. See Note 18 to the Accountants' Report in Appendix I to this prospectus.

Deferred Tax Assets

As of December 31, 2021, 2022, 2023 and June 30, 2024, we had deferred tax assets of RMB42.8 million, RMB74.8 million, RMB105.7 million and RMB134.2 million, respectively, the majority of which were contributed by our Company and our subsidiary, Imaging Union. We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset deductible losses. See "Risk Factors — Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred tax assets, which would have a material adverse effect on our results of operations." Our management prepared profit forecast based on past performance, current orders within the expire dates of accumulated tax losses and market developments for our Company and Imaging Union to assess the probability of generating sufficient taxable profits in the foreseeable future. Based on the profit forecast, our Directors considered probable that the Group will have sufficient taxable profits available in the foreseeable future to enable the deferred tax asset to be recovered. See Note 20 to the Accountants' Report in Appendix I to this prospectus for details.

Long-term Trade Receivables

Our long-term trade receivables primarily consist of our receivables due in more than one year in relation to the sales of comprehensive services, including our PHC Services, Patient Services and Regional Healthcare Solutions, primarily to two municipal regional healthcare administrator customers. Following pre-sale communication with these customers regarding their budgeting plans and taking into consideration the substantial contract value of these two sales contracts, with one amounting to more than RMB100 million and the other amounting to more than RMB90 million, we agreed on payment terms where the total contract value is paid by installments over three and five years, respectively. According to Frost & Sullivan, the payment terms of projects related to long-term trade receivables are in line with industry practice. Our long-term trade receivables increased from nil as of December 31, 2021 to RMB99.8 million as of December 31, 2022, because we accrued long-term receivables due from these regional healthcare administrators as we entered into contracts with them. Our long-term trade receivables subsequently decreased to RMB79.2 million as of December 31, 2023, because, as certain sales considerations had become overdue as of December 31, 2023 and certain considerations would become due within one year from December 31, 2023, the corresponding amount of long-term trade receivables had been reclassified as trade receivables. Our long-term trade receivables remained relatively stable at RMB79.2 million as of December 31, 2023 and RMB80.7 million as of June 30, 2024. The table below sets forth the ageing analysis from the date of relevant revenue recognition for our long-term trade receivables:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)			
0 to 90 days	–	64,852	–	–
91 to 180 days	–	34,938	24,710	2,267
181 to 365 days	–	–	1,270	22,911
1 to 2 years	–	–	53,215	55,531
Total	**–**	**99,790**	**79,195**	**80,709**

We believe that there is no recoverability issue for our long-term trade receivables on the basis that (i) as confirmed by Frost & Sullivan, purchases of healthcare administrator customers are approved and supported by relevant government budgeting plans; (ii) we have actively communicated with the respective customers on the expected collection of relevant long-term trade receivables. For example, as a result of our active communication with customers, one of the customers paid RMB1.0 million in the six months ended June 30, 2024 to demonstrate the intention to make payment and signed a letter of undertaking in April 2024 undertaking to pay the majority portion of the first installment in the second half of 2024, which became due on December 31, 2023 according to the payment terms in the sales contract. Based on facts known to us, we expect to receive full payment of the contract value by 2028, which is one year beyond the originally agreed timeline of the final instalment. Furthermore, we are in active communication with the other customer and expect to sign a supplemental contract with them to specify a new payment schedule. Based on facts known to us, we expect to receive full payment of the contract value by 2026, which is one year beyond the originally agreed timeline of the final instalment; (iii) we maintain amicable collaborative relationships with the customers under the respective contracts as the relevant projects are currently within the warranty periods. In addition, we have engaged AVISTA Valuation Advisory Limited, an independent valuation consultant with qualifications to conduct an analysis on our long-term trade receivables. We believe, as confirmed by the independent valuation consultant, that sufficient allowance for credit losses has been provided for our long-term trade receivables.

KEY FINANCIAL RATIOS

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

	Year ended December 31,			Six Months ended June 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
Revenue growth[1] (%)	16.2	26.7	17.9	N/A	17.8
Gross profit margin[2] (%)	50.4	48.9	56.6	52.1	52.9
Net loss margin[3] (%)	(24.0)	(44.2)	(27.7)	(54.5)	(58.3)
Adjusted net profit/(loss) margin[4] (non-IFRS measure) (%)	(13.0)	(23.4)	(10.2)	(29.7)	(37.7)

Notes:

(1) Revenue growth equals the current period's revenue minus the previous period's revenue, divided by the previous period's revenue and multiplied by 100%.

(2) Gross profit margin equals gross (loss)/profit divided by revenue for the period and multiplied by 100%.

(3) Net loss margin equals net (loss)/profit divided by revenue for the period and multiplied by 100%.

(4) Adjusted net profit/(loss) margin (non-IFRS measure) equals adjusted net profit/loss (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

See "— Description of Major Components of Our Results of Operations."

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from borrowings from our shareholders and banks, as well as cash from operations.

As of December 31, 2021, 2022 and 2023, June 30, 2024, and October 31, 2024, we had cash and cash equivalents of RMB434.2 million, RMB163.0 million, RMB142.5 million, RMB102.0 million and RMB77.2 million, respectively. Our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus based on our cash flow projections and taking into account our business operations as well as the financial resources available to us, including our cash and cash equivalents, unutilized banking facilities, and estimated net proceeds from the Global Offering. As of the Latest Practicable Date, our unutilized committed banking facilities amounted to approximately RMB343.3 million.

Cash Flow

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

	Year ended December 31,			Six Months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB'000)		
				(unaudited)	
Net cash used in operating activities	(52,681)	(113,934)	(314,305)	(126,190)	(134,114)
Net cash (used in) from investing activities	(57,557)	(93,277)	465	45,420	(7,777)
Net cash from (used in) financing activities	444,674	(63,998)	293,326	19,645	101,353
Net increase (decrease) in cash and cash equivalents	**334,436**	**(271,209)**	**(20,514)**	**(61,125)**	**(40,538)**
Cash and cash equivalents at the beginning of the year	99,791	434,227	163,018	163,018	142,504
Cash and cash equivalents at the end of the year/period, represented by bank balance and cash	**434,227**	**163,018**	**142,504**	**101,893**	**101,966**

Net Cash Used in Operating Activities

Net cash used in operating activities primarily comprises our loss before tax and changes in non-cash and non-operating items, such as increases in bill, trade and other payables, contract liabilities, amounts due to the ultimate holding company and decreases in trade and other receivables.

In the six months ended June 30, 2024, our net cash used in operating activities was RMB134.1 million, which was primarily attributable to our loss before tax of RMB163.3 million, as adjusted by the non-cash and non-operating items, primarily comprising an increase in trade and other receivables of RMB65.2 million, and such cash outflow was partially offset by (i) equity-settled share-based payments of RMB28.6 million and (ii) an increase in bill, trade and other payables of RMB8.4 million.

In 2023, our net cash used in operating activities was RMB314.3 million, which was primarily attributable to our loss before tax of RMB186.9 million, as adjusted by the non-cash and non-operating items, primarily comprising an increase in trade and other receivables of RMB187.1 million, and such cash outflow was partially offset by (i) equity-settled share-based payments of RMB93.3 million; and (ii) an increase in bill, trade and other payables of RMB85.1 million.

In 2022, our net cash used in operating activities was RMB113.9 million, which was primarily attributable to our loss before tax of RMB244.1 million, as adjusted by the non-cash and non-operating items, primarily comprising an increase in trade and other receivables of RMB132.1 million, and such cash outflow was partially offset by (i) equity-settled share-based payments of RMB96.7 million; and (ii) an increase in bill, trade and other payables of RMB123.8 million.

In 2021, our net cash used in operating activities was RMB52.7 million, which was primarily attributable to our loss before tax of RMB111.0 million, as adjusted by the non-cash and non-operating items, primarily comprising (i) an increase in trade and other receivables of RMB67.7 million; and (ii) a decrease in amounts due from fellow subsidiaries of RMB36.9 million, and such cash outflow was partially offset by an increase in bill, trade and other payables of RMB73.2 million.

In the future, we expect to improve our net operating cash outflows position. From an internal management perspective, we have implemented a variety of measures to improve our cash flow position, including, among others, (i) setting an annual overall cash flow budget target at the beginning of each fiscal year; (ii) forecasting and simulating the cash flow status for the current and next quarter, as well as determining the cash flow target, our receivables collection plan and payment control targets for the month at the beginning of each month; (iii) publishing cash flow completion reports and daily group cash balance reports every week; (iv) assigning a team and designated personnel in charge of the management of trade receivables; (v) taking into consideration the collections of receivables in assessing the performance of sales personnel and the management team to encourage them to actively follow up with customers regarding receivables collection; (vi) senior management's regular review of overdue payments to ensure that timely measures are taken to resolve issues; and (vii) the use of legal measures, such as demand letters and litigation, to expedite collections.

From a business perspective, we plan to continually enhance our cash flow by (i) expanding our solutions to hospital and patient and/or resident customers to reduce reliance on regional healthcare administrator customers; (ii) optimizing our AI-empowered solution matrix to further drive brand recognition and market acceptance; (iii) expanding our customer base and deepening customer relationships; (iv) improving our profit margins by managing our expenses; and (v) enhancing operational efficiency and economies of scale. We also expect to maintain sufficient working capital to meet our present requirements and in the near future.

Net Cash (Used in) from Investing Activities

In the six months ended June 30, 2024, our net cash used in investing activities was RMB7.8 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB50.0 million and (ii) placement of pledged/restricted bank deposits of RMB6.2 million, partially offset by the withdrawal of financial assets at FVTPL of RMB75.3 million.

In 2023, our net cash from investing activities was RMB0.5 million, which was primarily attributable to the withdrawal of financial assets at FVTPL of RMB373.5 million, partially offset by (i) purchase of financial assets at FVTPL of RMB312.6 million; and (ii) the acquisition of a subsidiary for RMB24.2 million.

In 2022, our net cash used in investing activities was RMB93.3 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB1,133.1 million; and (ii) additions of other intangible assets of RMB9.1 million, partially offset by the withdrawal of financial assets at FVTPL of RMB1,050.8 million.

In 2021, our net cash used in investing activities was RMB57.6 million, which was primarily attributable to (i) the acquisition of a subsidiary for RMB55.4 million; and (ii) additions of other intangible assets of RMB22.5 million, partially offset by the repayment of a loan to the Controlling Shareholder of RMB23.2 million.

Net Cash from (Used in) Financing Activities

In the six months ended June 30, 2024, our net cash from financing activities was RMB101.4 million, which was primarily attributable to bank borrowings raised of RMB146.0 million, as partially offset by the repayment of bank borrowings of RMB40.0 million.

In 2023, our net cash from financing activities was RMB293.3 million, which was primarily attributable to (i) proceeds from the issuance of ordinary shares of RMB210 million and (ii) bank borrowings raised of RMB128.0 million, as partially offset by the repayment of bank borrowings of RMB40 million.

In 2022, our net cash used in financing activities was RMB64.0 million, which was primarily attributable to the repayment of bank borrowings of RMB77.1 million and partially offset by proceeds from the issuance of ordinary shares of RMB10.0 million.

In 2021, our net cash from financing activities was RMB444.7 million, which was primarily attributable to (i) proceeds from the issuance of ordinary shares of RMB390.0 million; and (ii) bank borrowings raised of RMB77.1 million, partially offset by the repayment of a loan from the Controlling Shareholder of RMB201.8 million.

INDEBTEDNESS

As of October 31, 2024, being the indebtedness date for the purpose of the indebtedness statement, except as disclosed in the tables below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees, litigation or claims of material importance, pending or threatened against any member of our Group, or other material contingent liabilities. During the periods ended December 31, 2021, 2022 and 2023, June 30, 2024 and October 31, 2024, we had indebtedness in the form of bank borrowings, amount due to the ultimate holding company and lease liabilities, both current and non-current. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	**2022**	**2023**	**2024**	**2024**
			(RMB'000)		
					(unaudited)
Non-Current					
Lease liabilities – non-current	719	–	504	–	4,835
Bank borrowings – non-current	–	–	–	20,000	65,000
	719	–	504	20,000	69,835
Current					
Bank borrowings	77,084	–	88,000	174,000	205,000
Amount due to the ultimate holding company	1,550	1,550	–	–	–
Lease liabilities	1,768	731	1,047	1,047	4,617
	80,402	2,281	89,047	175,047	209,617
Total	**81,121**	**2,281**	**89,551**	**195,047**	**279,452**

Our Directors are of the view that there has not been any material change in our indebtedness since October 31, 2024 up to the date of this prospectus.

Bank Borrowings

As of December 31, 2021, 2022 and 2023, June 30, 2024 and October 31, 2024, we had bank borrowings of RMB77.1 million, nil, RMB88.0 million, RMB194.0 million and RMB270.0 million, respectively, representing unsecured and unguaranteed bank borrowings primarily to supplement our working capital. Our bank borrowings are all denominated in Renminbi. During the Track Record Period, the interest rate on our fixed-rate bank borrowings ranged from 2.60% to 4.20%. As of the Latest Practicable Date, our unutilized committed banking facilities amounted to approximately RMB343.3 million.

Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant which would impact our ability to undertake additional debt financing. Our Directors further confirm that we did not experience any difficulty in obtaining bank borrowings and other borrowings, defaults in payments of bank borrowings and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

As of December 31, 2021, 2022 and 2023, June 30, 2024 and October 31, 2024, our current and non-current lease liabilities were RMB2.5 million, RMB0.7 million, RMB1.6 million, RMB1.0 million and RMB9.5 million, respectively, primarily representing the leased premises for our offices. All lease liabilities are unsecured and unguaranteed.

Our lease liabilities decreased from RMB2.5 million as of December 31, 2021 to RMB0.7 million as of December 31, 2022, primarily due to a decrease in the net value of the lease liabilities as a result of amortization according to the lease terms. Our lease liabilities increased to RMB1.6 million as of December 31, 2023, primarily due to newly signed lease agreements. Our lease liabilities decreased from RMB1.6 million as of December 31, 2023 to RMB1.0 million as of June 30, 2024, primarily due to a decrease in the net value of the lease liabilities as a result of amortization according to the lease terms.

Except as disclosed above, during the Track Record Period and up to October 31, 2024, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which were either guaranteed, unguaranteed, secured or unsecured or guarantees.

CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023 and June 30 and October 31, 2024, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the dates indicated:

	Year ended December 31,			Six Months ended June 30,
	2021	2022	2023	2024
	(RMB'000)			
Payment of additions of other intangible assets	22,517	9,084	25,683	16,791
Purchase of equipment	6,061	5,981	10,823	2,892
Total	**28,578**	**15,065**	**36,506**	**19,683**

Our capital expenditures in 2021, 2022 and 2023 and the six months ended June 30, 2024, were RMB28.6 million, RMB15.1 million, RMB36.5 million and RMB19.7 million, respectively, primarily attributable to the payment of additions of other intangible assets and purchase of equipment. We funded our capital expenditure requirements mainly from borrowings, cash generated from sales and equity financing.

We expect that our capital expenditures in 2024 and 2025 will primarily consist of the purchase of equipment, payment for right-of-use assets and research and development. We intend to fund our future capital expenditures and long-term investments with our proceeds from borrowings, cash generated from sales and net proceeds received from the Global Offering. See "Future Plans and Use of Proceeds."

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 39 to the Accountants' Report in Appendix I to this prospectus.

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

FINANCIAL RISK DISCLOSURE

We have adopted a risk management program focused on minimizing the potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Financial Risk Factors

The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. Our management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market Risk

Interest rate risk

We are primarily exposed to fair value interest rate risk in relation to fixed-rate bank borrowing and lease liabilities. We currently do not have an interest rate hedging policy. Our management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arise.

We are also exposed to cash flow interest rate risk in relation to cash and cash equivalents and pledged/restricted bank deposits, which carry interest at variable interest rates.

Our management considers our exposure of cash and cash equivalents and pledged/restricted bank deposits to interest rate risk insignificant as fluctuations of the market interest rate and PRC prime rate are not expected to be significant. No sensitivity analysis is presented accordingly.

Credit Risk

Credit risk refers to the risk that our counterparties default on their contractual obligations, resulting in financial losses to us. Our credit risk exposures are primarily attributable to trade and other receivables, long-term trade receivables, contract assets, pledged/restricted bank deposits, amount due from the ultimate holding company and amounts due from fellow subsidiaries. We do not hold any collateral or other credit enhancements to cover our credit risks associated with our financial assets.

In order to minimize the credit risk for trade receivables, long-term trade receivables and contract assets, our management has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our credit risk is significantly reduced.

For other receivables, our management makes periodic individual assessments on the recoverability of other receivables based on historical settlement records, past experience and quantitative and qualitative information that is reasonable and supportive forward-looking information. Our management believes that there was no significant increase in the credit risk of these amounts since initial recognition, and we provided impairment based on 12-month ECL. For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, our management assessed the ECL for other receivables as insignificant, and thus no loss allowance was recognized.

No allowance for credit losses was made to amounts due from the ultimate holding company or fellow subsidiaries, since our management considered the probability of default minimal after assessing the counterparties' financial background and creditability.

As part of our credit risk management, we apply internal credit ratings to our customers in relation to our business operations. See Note 37 to the Accountants' Report in Appendix I to this prospectus.

Liquidity Risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations. See Note 37 to the Accountants' Report in Appendix I to this prospectus.

DIVIDEND

No dividends were paid or declared by our Company or any of our subsidiaries during the Track Record Period. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not have any dividend policy to declare or pay any dividends in the foreseeable future.

The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law and will depend on a number of factors, including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. There is no assurance that dividends of any amount will be declared or distributed in any year. Currently, we do not intend to adopt a formal dividend policy or a fixed dividend distribution ratio following the listing.

As confirmed by our PRC Legal Advisors, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In light of our accumulated losses as disclosed in this prospectus and our expected forecast losses in 2024 due to our continued investments in research and development as well as selling expenses, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

WORKING CAPITAL CONFIRMATION

Our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus based on our cash flow projections and taking into account our business operations as well as the financial resources available to us, including our cash and cash equivalents, unutilized banking facilities and estimated net proceeds from the Global Offering. As of the Latest Practicable Date, our unutilized committed banking facilities amounted to approximately RMB343.3 million.

DISTRIBUTABLE RESERVES

As of June 30, 2024, we did not have any distributable reserves.

LISTING EXPENSE

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We expect to incur listing expenses of approximately HK$75.40 million, representing approximately 12.94% of the gross proceeds from the Global Offering. The listing expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK$16.35 million underwriting-related fees and approximately HK$59.05 million non-underwriting-related fees (including fees and expenses of legal advisors and the reporting accountant of approximately HK$40.35 million and other fees and expenses of approximately HK$18.70 million). Among the total listing expenses, approximately HK$21.03 million will be directly attributable to the issue of our H Shares and will be deducted from equity, approximately HK$32.85 million was recorded during the Track Record Period, and the remaining HK$21.52 million will be recorded in consolidated statements of profit or loss after June 30, 2024. Our Directors do not expect such expenses to materially impact our results of operations in 2024.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Appendix II — Unaudited Pro Forma Financial Information."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

We experienced an increase in the overall revenue in the eleven months ended November 30, 2024 as compared with the same period in 2023. In particular, our Hospital Services and Patient Services experienced continued significant revenue growth in the eleven months ended November 30, 2024 as compared with the same period in 2023, in line with our long-term strategy to diversify revenue mix by further expanding our Hospital and Patient Services. Although the revenue from PHC Services and Regional Healthcare Solutions slightly decreased in the eleven months ended November 30, 2024 as compared with the same period in 2023 because of the deceleration in the procurement and contract finalization process of healthcare administrators since the end of 2022 to 2024, the number of customers with whom we signed contracts to implement projects and the number of projects involved in these contracts under our PHC Services and Regional Healthcare Solutions increased from the eleven months ended November 30, 2023 to the same period in 2024. In addition, the gross profit margin of our PHC Services remained relatively high. We will continue implementing our plans to improve financial performance and strategies, to turn around the performance of PHC Services and Regional Healthcare Solutions along with the alleviation of the temporary lag in the market.

The table below sets forth the details of the number of contracted projects, which represent projects in the newly awarded contracts during the years/periods indicated, and the contract value of these projects during the periods indicated:

	Eleven months ended November 30,			
	2023		**2024**	
	Number of contracted projects(2)	**Total Contract value**	**Number of contracted projects (2)**	**Total Contract value**
		(RMB in millions)		*(RMB in millions)*
PHC Services	**108**	**186.1**	**364**	**177.0**
General Practice CDSS	55	133.1	226	116.1
Chronic Disease Management Tools	53	53.0	138	60.9
Hospital Services	**82**	**58.4**	**83**	**103.4**
Patient Services	**50**	**29.3**	**51**	**41.9**
Post-Discharge Management Platform(1)	50	29.3	51	41.9
Regional Healthcare Solutions	**16**	**60.2**	**48**	**118.7**
Regional Healthcare Administrator Services	9	33.0	31	71.6
Medical Insurance Administrator Solutions	7	27.2	17	47.1
Total	**256**	**334.0**	**546**	**441.0**

Notes:

(1) Not including districts and community outbound calling projects, which are usually numerous and small-scale and generally do not require bidding.

(2) When a single project encompasses multiple secondary business lines, it is included in the project count for each of those secondary business lines.

Despite our continued expansion in customer base and increase in revenue, we may continue to incur net losses in the near future, including the years ending December 31, 2024, mainly due to our continued investments in research and development as well as selling expenses.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2024, being the end date of the periods reported in Appendix I to this prospectus, and there has been no event since June 30, 2024 that would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

FUTURE PLANS

See "Business — Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering and assuming an Offer Price of HK$82.8 per Share, we estimate that we will receive net proceeds of approximately HK$507.1 million from the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 32.4% of the net proceeds, or HK$164.0 million, will be used to invest in research and development to continuously reinforce our core competence. In particular:

    - o approximately 13.6% of the net proceeds, or HK$68.7 million, will be used for our Xunfei Healthcare Research Institute to constantly upgrade our Xunfei Spark Medical Model, thereby strengthening our ability to offer healthcare AI solutions and promoting the development of China's healthcare system. Specifically, we will continue to (i) expand the capacity and functionality of our data storage by means such as leasing and purchasing servers and (ii) optimize and upgrade our Xunfei Spark Medical Model, enlarge our medical knowledge graphs as well as expand our R&D team dedicated to the development and upgrade of the Xunfei Spark Medical Model;

    - o approximately 15.4% of the net proceeds, or HK$77.8 million, will be used for our technology platform team to continuously optimize our algorithms and reinforce our core technologies such as machine learning. We focus on accumulating data and enhancing our capabilities in data identification and information extraction and analysis. We also focus on software and hardware upgrades and talent development. We will continue to (i) recruit R&D personnel; (ii) expand our medical knowledge base and increase our core R&D assets through purchasing information technology infrastructure components such as servers; (iii) deepen our R&D collaboration with universities and research institutions; and (iv) engage third parties to obtain copyrights and acquire outsourcing services, optimizing our resource allocation in business operations; and

  - o approximately 3.4% of the net proceeds, or HK$17.5 million, will be used to construct our overseas R&D center and attract top-tier AI talents overseas. We plan to enter into collaborations with local research institutions, healthcare institutions and universities in Hong Kong with a focus on AI technologies and product development. Such collaborations will enrich our data resources, facilitating further upgrades to our Xunfei Spark Medical Model, which will enlarge our competitive edge and solidify our leading position in the healthcare AI industry. Specifically, we plan to (i) establish a R&D center in Hong Kong; (ii) recruit international talents, and (iii) purchase equipment required for our research and development activities.

- approximately 26.6% of the net proceeds, or HK$135.0 million, will be used to further enrich our products and services through upgrading existing products and developing new products. In particular:

  - o approximately 8.8% of the net proceeds, or HK$44.7 million, will be used to continually upgrade and iterate our Hospital Services designed for tiered hospitals. We plan to improve our Smart Hospital Solutions, continuously optimizing multiple systems across pre-visit, intra-diagnosis and post-discharge phases, in an effort to provide tiered hospitals with more efficient solutions. We also intend to expand the diagnostic capabilities of our Specialized CDSS and enhance the efficiency and service quality of our VTE system, thereby comprehensively improving the work efficiency and medical service quality of doctors. Specifically, we plan to (i) recruit talents and experts in healthcare and data science to promote the standardization and digitization of in-hospital diagnosis and treatment processes; and (ii) engage third parties for technology development and labor outsourcing services, optimizing our resource allocation in business operations;

  - o approximately 6.3% of the net proceeds, or HK$31.8 million, will be used to continually upgrade and iterate our Regional Healthcare Solutions. We plan to optimize our provincial-level infectious disease EWARS by leveraging big data technologies, healthcare AI platforms and the use of LLMs in healthcare, aiming to strengthen our health assistance to residents. We also intend to improve the risk control capabilities of our Medical Insurance Administrative Solutions and reduce improper expenses by utilizing advanced AI technologies. Specifically, we plan to (i) recruit R&D personnel and purchase information technology infrastructure components such as servers to facilitate the informatization of regional disease control; and (ii) engage third parties for technology development, optimizing our resource allocation in business operations;

o approximately 4.8% of the net proceeds, or HK$24.3 million, will be used to continually upgrade and iterate our PHC Services. We intend to expand the functionalities of our General Practice CDSS and integrated intelligent information platform at the primary level by utilizing healthcare AI technologies, aiding primary care doctors to continuously improve their clinical skills. Specifically, we plan to (i) recruit R&D personnel and purchase requisite software and hardware to provide intelligent clinical decision support for doctors across a wide range of healthcare services; and (ii) engage third parties for technology development, optimizing our resource allocation in business operations;

o approximately 4.1% of the net proceeds, or HK$21.0 million, will be used to upgrade and enrich our medical device products designed for individual customers. We intend to enrich our intelligent sphygmomanometer and glucometer offerings and extend their lifespan, providing patients with disease prevention and control solutions at home. Specifically, we plan to (i) enlarge our R&D team for Medical Device and purchase requisite software and hardware; and (ii) establish an in-house quality control department to monitor and control the quality of products and supplies from contract manufacturers, further enhancing the brand recognition of our hearing aids, sphygmomanometers and glucometers designed for individual customers; and

o approximately 2.6% of the net proceeds, or HK$13.2 million, will be used to develop new products based on the Xunfei Spark Medical Model to consistently expand our product portfolio. We strategically focus on the R&D for a private platform based on the Xunfei Spark Medical Model. Underpinned by a vast amount of knowledge, data and user feedback, our Xunfei Spark Medical Model consistently enhances its language understanding and generation capabilities, which enable us to provide multiple services to users on the private platform, such as open-ended knowledge-based question-answering, logical reasoning through thought chains, multi-task content generation, multi-level language understanding and multi-round dialogue. The private platform is designed to directly cater to individual customers and also provide support for National and Provincial Health Commission, PHC institution and tiered hospital consumers in diverse medical scenes. Specifically, to realize this goal, we plan to recruit R&D personnel for the new products and purchase requisite equipment to facilitate the relevant development.

- approximately 24.7% of the net proceeds, or HK$125.1 million, will be used to reinforce our commercialization capabilities and expand our service network. In particular:

  - o approximately 20.6% of the net proceeds, or HK$104.4 million, will be used to improve our commercialization capabilities and expand our service network. Specifically, we plan to (i) enlarge our commercialization team responsible for sales, consultations and operations to cultivate relationships with key customers, such as Provincial and Municipal Health Commissions and Class III hospitals, aiming to increase customer conversion rates and enhance service quality; (ii) establish customer service centers and recruit operating personnel to foster a positive corporate image and initiate targeted sales and marketing activities, thereby penetrating the market for PHC institutions and tiered hospitals and extending customer reach; and (iii) establish international business headquarters in Hong Kong to facilitate the strategic expansion of our products and services, such as Medical Device, to regions including East Asia and Southeast Asia, thereby accelerating our overseas business expansion; and

  - o approximately 4.1% of the net proceeds, or HK$20.7 million, will be used to enhance our marketing and branding efforts to promote our increasingly mature and standardized products and solutions, primarily through hosting industry conventions, forums and branding promotion activities.

- approximately 6.4% of the net proceeds, or HK$32.3 million, will be used to acquire companies that may generate synergy with our existing capacities, such as medical device manufactures. Our acquisition targets include medical device manufacturers or existing manufacturing facilities with advanced production capabilities. According to Frost & Sullivan, the healthcare AI market in China is fragmented with hundreds of regional players, and there will be sufficient potential targets that meet our criteria for acquisition. We aim to shift from production outsourcing and integrate our in-house production capacity through acquisition, enhancing cost-effectiveness and quality control. Upon acquisition, we expect to directly control the hardware manufacturing process and optimize our supply chain operations to reduce costs and enhance the delivery efficiency and quality of products. Our strategy to enhance our in-house production capacity aligns with the industry development trend and our strategic development needs. In the long term, such strategy is expected to support our technological innovation and increase our market share and profitability, further enhancing our competitive edge and securing our leading position in the healthcare AI industry. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions, nor had we identified any definite acquisition targets.

- approximately 10.0% of the net proceeds, or HK$50.7 million, will be used for working capital and other general corporate purposes.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to put into effect any part of our future development plans as intended, we will only place such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited
GF Securities (Hong Kong) Brokerage Limited
CCB International Capital Limited
ICBC International Securities Limited
SPDB International Capital Limited
CMBC Securities Company Limited
ABCI Securities Company Limited
China Galaxy International Securities (Hong Kong) Co., Limited
TradeGo Markets Limited
Advent Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 703,600 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on, and subject to, the terms and conditions set out in this prospectus.

Subject to:

(a) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, our H Shares to be issued as mentioned herein (including any additional H Shares which may be made available pursuant to the exercise of the Over-allotment Option), or otherwise described in this prospectus and such listing of and permission to deal in the H Shares not subsequently having been revoked, withdrawn, amended or invalidated prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the International Underwriting Agreement having been signed and becoming, and continuing to be, unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date; and

(c) certain other conditions set out in the Hong Kong Underwriting Agreement,

the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe for or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Hong Kong Underwriting Agreement.

Grounds for Termination

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(1) there shall develop, occur, exist or come into effect:

(a) any event, or series of events, whether in continuation, or circumstances in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic (including Coronavirus Disease 2019 (COVID-19), Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) or such related/mutated forms), pandemic, outbreaks, escalation, mutation or aggravation of diseases, export controls, economic sanctions, strikes, labour disputes, lockouts, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, calamity, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to the Company (each a "Relevant Jurisdiction" and collectively, the "Relevant Jurisdictions"); or

(b) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, or the Shenzhen Stock Exchange; or

(d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions; or

(f) the imposition of sanctions in whatever form, directly or indirectly, by or for any of the Relevant Jurisdictions on the Company or any member of the Group; or

(g) any change or development involving a prospective change or amendment in or affecting Taxes (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or Renminbi is linked to any foreign currency), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(h) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus (or to other documents in connection with the offer and sale of the Offer Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(i) any valid demand by creditors for repayment or payment of any indebtedness of any member of the Group or any member of the Group is liable to prior to its stated maturity; or

(j) any material litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened or instigated against the Group or any Director or any Supervisor; or

(k) any contravention by any member of the Group, any Director, any Supervisors of any applicable Laws (as defined in the Hong Kong Underwriting Agreement); or

(l) any non-compliance of this prospectus, the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the CSRC Rules or any other applicable laws and regulations; or

(m) any change or prospective change or development, or a materialisation of, any of the risks set out in section headed "Risk Factors" in this prospectus; or

(n) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or Supervisor; or

(o) any Director or any Supervisor is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(p) any order or petition for the winding up or liquidation of any member of the Group (other than the Company) or any composition or arrangement made by any member of the Group (other than the Company) with its creditors or a scheme of arrangement entered into by any member of the Group (other than the Company) or any resolution for the winding-up of any member of the Group (other than the Company) or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group (other than the Company) or anything analogous thereto occurring in respect of any member of the Group (other than the Company); or

(q) any chief executive officer, any Director or any Supervisors is vacating his or her office,

which, individually or in the aggregate, in the sole and absolute opinion of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder's equity, profit, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Company as a whole; or

(b) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for any part of the Hong Kong Underwriting Agreement, or any part of the Hong Kong Public Offering or the Global Offering, or the delivery of the Offer Shares, to be performed or implemented or to proceed or to market the Global Offering in the manner contemplated by this prospectus; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting of the Hong Kong Public Offering and/or the Global Offering) impracticable or incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof (collective, "Material Adverse Effect"); or

(2) there has come to the notice of the Overall Coordinators that:

(a) any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions taken as a whole with reference to the facts and circumstances then subsisting; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) (including any supplement or amendment thereto); or

(c) there is a material breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the warranties given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement or the Cornerstone Investment Agreements, as applicable; or

(d) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(e) there is an event, act or omission which gives or is likely to give rise to any liability of the Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(f) there is any material adverse change or development or likely to be any prospective material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group taken as a whole; or

(g) the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering, other than subject to customary conditions, is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(h) any person named as an expert in this prospectus (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(i) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the H Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(k) any order or petition for the winding up or liquidation of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement entered into by the Company or any resolution for the winding-up of the Company or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date), except for: (a) any capitalization issue, capital reduction or consolidation or sub-division of shares; or (b) issue of shares or securities pursuant to the Global Offering; or (c) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholder

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholder has undertaken to the Stock Exchange and us that, except pursuant to the Global Offering and the Over-allotment Option, we shall not and shall procure that the registered holders of the Shares controlled by us (if applicable) shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "LR First Six-month Period"), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner (the "Relevant Securities"); and

(b) in the period of six months commencing from the expiry of the LR First Six-month Period (the "LR Second Six-month Period"), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the controlling shareholder (as defined in the Listing Rules) of the Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholder has also undertaken to the Stock Exchange and us that during the LR First Six-month Period and the LR Second Six-month Period, it shall:

(a) when it pledges or charges any Shares or securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of such Shares or securities so pledged or charged; and

(b) when it receives any indications, either verbal or written, from the pledgee or charge that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (a) and (b) above by the Controlling Shareholder and make a public disclosure in relation to such information by way of an announcement in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or otherwise in compliance with the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-Month Period"), the Company undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters not to, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares), or deposit any H Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in (a), (b) or (c) above or offers, agrees or contracts to, enter into any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

Our Company has agreed to indemnify each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including any breach by them, respectively, of the Hong Kong Underwriting Agreement or certain provisions thereof.

Underwriting Commission and Expenses

An aggregate of the fees of up to 4.0% of gross proceeds to be raised from the subscription tranche and the placing tranche (including proceeds from any H Shares issued pursuant to the Over-allotment Option) of the Global Offering is payable by the Company to all syndicate members participating in the Global Offering, among which the syndicate members (i) will receive an underwriting commission which is equal to 2.5% of the aggregate gross proceeds to be raised from the Global Offering (including proceeds from any H Shares issued pursuant to the Over-allotment Option) (the "**Underwriting Commission**"), and (ii) may receive a discretionary incentive fee of up to 1.5% of the aggregate gross proceeds to be raised from the Global Offering (including proceeds from any H shares issued pursuant to the Over-allotment Option) (the "**Incentive Fee**").

As of the date of this prospectus, the allocation of a portion of the Underwriting Commission remains subject to the Company's discretion. Accordingly, the unallocated portion of the Underwriting Commission will be regarded as discretionary fees for the purpose of the Listing Rules. The ratio of the fixed fee and discretionary fee (as classified under and for the purpose of Rule 3A.34 of the Listing Rules) payable by the Company to all syndicate members (both before and after the exercise of the Over-allotment Option, if any) is expected to be approximately 2.05%:1.95%, or approximately 51.3:48.7 (assuming the Incentive Fee will be paid in full).

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, AFRC transaction levy, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB69.65 million (approximately HK$75.40 million) in total (based on the Offer Price of HK$82.8 per Offer Share and assuming the Over-allotment Option is not exercised).

Hong Kong Underwriters' interests in our Company

Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited, being two of the Hong Kong Underwriters, and GF Capital (Hong Kong) Limited are the Joint Sponsors. Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters and the Joint Sponsors is interested directly or indirectly in any Shares or securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or securities in our Company or any other member of the Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally but not jointly agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Global Coordinators and Overall Coordinators on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 1,055,300 additional H Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any.

The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Underwriters will be given by our Company to the International Underwriters under the International Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "**Syndicate Members**," may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares.

All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed "Structure of the Global Offering — Stabilization Action" in this prospectus. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Huatai United Securities Co. Ltd. ("**Huatai United Securities**"), a member belonging to the same group of companies as Huatai Financial Holdings (Hong Kong) Limited ("**Huatai Financial**") (one of the Joint Sponsors), acted as the independent financial adviser to iFlytek in connection with the spin-off and listing of the Company's Shares pursuant to the Spin-off Rules for Listed Companies (For Trial Implementation)《上市公司分拆規則(試行)》and Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》promulgated by the CSRC. Notwithstanding the above, considering that (i) the work of financial adviser is a restricted one purely to satisfy the regulatory requirements imposed by the CSRC and the role of financial adviser of Huatai United Securities is not in conflict with Huatai Financial's role as an independent sponsor for the Listing (such work is also in line with that undertaken by other financial advisers in similar spin-off cases); and (ii) the fee from the service of financial adviser is immaterial, such relationship between Huatai United Securities and iFlytek would not be reasonably considered to affect Huatai Financial's independence as sponsor to the Company in performing its duties, and should not reasonably give rise to a perception that Huatai Financial's independence would be so affected under Rule 3A.07(9) of the Listing Rules, and there are no other circumstances affecting Huatai Financial's independence under Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 703,600 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "— The Hong Kong Public Offering" in this section; and

(b) the International Offering of an aggregate of 6,331,950 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "— Pricing and Allocation" in this section.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares initially offered

We are initially offering 703,600 Hong Kong Offer Shares, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.6% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "— Conditions of the Global Offering" in this section.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools (with any odd board lots being allocated to pool A) for allocation purposes.

(a) ***Pool A***: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) or less.

(b) ***Pool B***: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable) and up to the total value of pool B.

For the purpose of this sub-section only, the "subscription price" for Hong Kong Offer Shares means the price payable on application therefore which is HK$82.8 per Offer Share.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 351,800 Hong Kong Offer Shares (being 50% of the 703,600 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and the certain prescribed total demand levels are reached under the Hong Kong Public Offering, subject to the following:

(a) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 2,110,700 Offer Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.

(b) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 2,814,250 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.

(c) If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 3,517,800 Offer Shares, representing approximately 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators and the Overall Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators and the Overall Coordinators may in their discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators and Overall Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators and the Overall Coordinators deem appropriate. In the event of reallocation of

Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 703,550 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 1,407,150 Offer Shares, representing approximately two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the price of HK$82.8 per Offer Share in addition to the brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable on each Offer Share. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 6,331,950 Offer Shares (subject to reallocation and the Over-allotment Option), representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 5.2% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors and expected to have a sizeable demand for the H Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, the Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation and Clawback

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation and Clawback" in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "— Over-allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Overall Coordinators.

Over-allotment Option

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 1,055,300 Offer Shares, representing approximately 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 0.87% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day of the lodging of applications under the Hong Kong Public Offering. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing H Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment

Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the H Shares will be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Offer Shares that may be sold under the Over-allotment Option, namely, 1,055,300 Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our H Shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares;

(e) selling or agreeing to sell any of our H Shares in order to liquidate any position held as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our H Shares;

(d) no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our H Shares, could fall;

(e) the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, January 22, 2025. As a result, demand for the H Shares and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 1,055,300 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid before the Listing Date. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering.

The Offer Price will be HK$82.8 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below.

The Overall Coordinators, for themselves and on behalf of the Underwriters, and the Joint Sponsors, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.iflyhealth.com**, notices of the reduction of the Offer Shares and/or the Offer Price, and the cancelation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on revised proceeds. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If there is any change to the offer size due to change in the number of Offer Shares initially offered in the Global Offering (other than pursuant to the exercise of the Over-allotment Option and/or reallocation mechanism as disclosed in this prospectus), or change to the Offer Price, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our H Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer and issue a supplemental prospectus or a new prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators and the Joint Sponsors may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering.

The level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Friday, December 27, 2024 on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **http://www.iflyhealth.com**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been fixed and not subsequently having been varied or adjusted by the Company and the Overall Coordinators;

(c) the execution and delivery of the International Underwriting Agreement; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators and the Overall Coordinators, for themselves and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times as specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is the 30th day after the date of this prospectus).

The completion of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company and on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **http://www.iflyhealth.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the H Shares prior to the receipt of H Share certificates or prior to the H Share certificates bearing valid evidence of title do so entirely at their own risk.

Application for Listing on the Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and the Conversion of Unlisted Shares into H Shares.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS, established and operated by HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, December 30, 2024, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, December 30, 2024.

The H Shares will be traded in board lots of 50 H Shares each and the stock code of the H Shares will be 2506.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at http://www.iflyhealth.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **HK eIPO White Form** service only).*

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or his/her/its close associates; or
- are a Director or a Supervisor or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Wednesday, December 18, 2024 and end at 12:00 noon on Monday, December 23, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Wednesday, December 18, 2024 to 11:30 a.m. on Monday, December 23, 2024, Hong Kong time.
HKSCC EIPO channel	Your **broker** or **custodian** who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through the HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agents, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	50 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The Offer Price is HK$82.8 per Share. If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
50	4,181.75	800	66,908.03	7,000	585,445.27	100,000	8,363,503.80
100	8,363.50	900	75,271.53	8,000	669,080.30	200,000	16,727,007.60
150	12,545.26	1,000	83,635.04	9,000	752,715.34	300,000	25,090,511.40
200	16,727.01	1,500	125,452.56	10,000	836,350.38	351,800(1)	29,422,806.36
250	20,908.76	2,000	167,270.08	20,000	1,672,700.75		
300	25,090.51	2,500	209,087.60	30,000	2,509,051.15		
350	29,272.26	3,000	250,905.11	40,000	3,345,401.52		
400	33,454.01	3,500	292,722.62	50,000	4,181,751.90		
450	37,635.78	4,000	334,540.15	60,000	5,018,102.28		
500	41,817.52	4,500	376,357.67	70,000	5,854,452.65		
600	50,181.02	5,000	418,175.19	80,000	6,690,803.05		
700	58,544.52	6,000	501,810.23	90,000	7,527,153.42		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Applications for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;

(iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "Relevant Persons"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed " — G. Personal Data — 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or HKSCC EIPO channel:		
Website	From the "Allotment Results" page at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Friday, December 27, 2024 to 12:00 midnight on Thursday, January 2, 2025 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**	

Platform		Date/Time
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **http://www.iflyhealth.com** which will provide links to the above-mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Friday, December 27, 2024 (Hong Kong time)
Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., from Monday, December 30, 2024 to Friday, January 3, 2025 (Hong Kong time) on a business day

For those applying through the HKSCC EIPO channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Tuesday, December 24, 2024 (Hong Kong time)

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, December 24, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **http://www.iflyhealth.com** by no later than 11:00 p.m. on Friday, December 27, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on Monday, December 30, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of H Share certificate[1]		
For application of 300,000 Hong Kong Offer Shares or more	Collection in person at H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. **Time:** from 9:00 a.m. to 1:00 p.m. on Monday, December 30, 2024 (Hong Kong time). If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. **Note:** If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account No action by you is required

1 Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an "extreme conditions" announcement being in force in Hong Kong in the morning on Friday, December 27, 2024, rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, in which case the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Severe Weather Arrangements" in this section.

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 300,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. **Date:** Friday, December 27, 2024	

Refund mechanism for surplus application monies paid by you

Date	Monday, December 30, 2024	Subject to the arrangement between you and your **broker** or **custodian**
Responsible party	H Share Registrar	Your **broker** or **custodian**
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account	Your **broker** or **custodian** will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, December 23, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 23, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **http://www.iflyhealth.com** of the revised timetable.

If a Severe Weather Signal is hoisted on Friday, December 27, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, December 30, 2024.

If a Severe Weather Signal is hoisted on Friday, December 27, 2024, the despatch of physical H Share certificates of less than 300,000 Offer Shares issued under your own name will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, December 27, 2024 or on Monday, December 30, 2024).

If a Severe Weather Signal is hoisted on Monday, December 30, 2024, physical H Share certificates of 300,000 Offer Shares or more issued under your own name are available for collection in person at the H Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, December 30, 2024 or on Tuesday, December 31, 2024).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers, etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-87, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XUNFEI HEALTHCARE TECHNOLOGY CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND GF CAPITAL (HONG KONG) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Xunfei Healthcare Technology Co., Ltd. ("訊飛醫療科技股份有限公司") (the "Company") and its subsidiaries (together, the "Group") set out on page I-3 to I-87, which comprises the consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024, the statement of financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-87 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 18, 2024 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2021, 2022 and 2023, and June 30, 2024, of the Company's financial position as at December 31, 2021, 2022 and 2023, and June 30, 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises 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 of the Group for the six months ended June 30, 2023 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 18, 2024

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB in thousands) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Revenue	*6*	372,452	471,860	556,125	194,531	229,205
Cost of sales		(184,723)	(241,191)	(241,471)	(93,176)	(108,007)
Gross profit		187,729	230,669	314,654	101,355	121,198
Other income	*7*	31,227	44,000	48,577	25,305	12,120
Impairment losses under expected credit loss model, net of reversal	*10*	(628)	(8,602)	(6,187)	(3,508)	(8,402)
Other gains and losses	*8*	(350)	2,705	734	425	(141)
Selling expenses		(90,651)	(159,874)	(163,058)	(68,737)	(87,457)
Administrative expenses		(69,349)	(109,391)	(112,559)	(53,899)	(44,496)
Research and development expenses		(159,785)	(241,577)	(263,964)	(127,032)	(135,289)
Listing expenses		(6,268)	(1,440)	(3,901)	(399)	(18,735)
Finance costs	*9*	(2,895)	(590)	(1,211)	(41)	(2,087)
Loss before tax	*12*	(110,970)	(244,100)	(186,915)	(126,531)	(163,289)
Income tax credit	*11*	21,569	35,505	32,691	20,495	29,551
Loss and total comprehensive expense for the year/period		(89,401)	(208,595)	(154,224)	(106,036)	(133,738)
Loss and total comprehensive expense attributable to:						
– Owners of the Company		(83,707)	(189,400)	(144,842)	(97,513)	(129,653)
– Non-controlling interests		(5,694)	(19,195)	(9,382)	(8,523)	(4,085)
		(89,401)	(208,595)	(154,224)	(106,036)	(133,738)
Loss per share						
– Basic (RMB yuan)	*15*	(0.90)	(1.71)	(1.30)	(0.88)	(1.14)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at June 30, 2024
		RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Non-current assets					
Equipment	*16*	8,400	10,176	13,879	12,400
Right-of-use assets		2,874	1,142	1,716	1,202
Goodwill	*17*	23,777	23,777	23,777	23,777
Other intangible assets	*18*	205,473	166,013	158,322	156,526
Deferred tax assets	*20*	42,813	74,829	105,699	134,150
Long-term trade receivables	*21*	–	99,790	79,195	80,709
Pledged/restricted bank deposits	*27*	3,400	1,903	1,875	1,875
		286,737	377,630	384,463	410,639
Current assets					
Inventories	*22*	32,365	46,888	73,529	85,926
Trade and other receivables	*23*	176,777	304,883	533,260	596,557
Contract assets	*24*	20,305	16,426	8,153	13,699
Tax recoverable		115	134	23	88
Amount due from the ultimate holding company	*25*	9,547	5,185	6,707	8,622
Amounts due from fellow subsidiaries	*25*	49,799	26,065	58,459	42,140
Financial assets at fair value through profit or loss ("FVTPL")	*26*	–	85,000	25,000	–
Pledged/restricted bank deposits	*27*	3,941	4,355	5,516	11,237
Cash and cash equivalents	*27*	434,227	163,018	142,504	101,966
		727,076	651,954	853,151	860,235

	NOTES	As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at June 30, 2024
		RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Current liabilities					
Bill, trade and other payables	*28*	186,911	310,734	379,664	380,043
Bank borrowings	*29*	77,084	–	88,000	174,000
Amount due to the ultimate holding company	*30*	130,784	179,829	33,306	62,037
Amounts due to related companies	*30*	11,913	31,587	65,962	88,955
Lease liabilities		1,768	731	1,047	1,047
Provision	*31*	27,305	49,089	61,035	57,379
Contract liabilities	*32*	49,878	27,396	39,681	26,646
Deferred income		1,876	4,074	2,352	910
		487,519	603,440	671,047	791,017
Net current assets		239,557	48,514	182,104	69,218
Total assets less current liabilities		526,294	426,144	566,567	479,857
Non-current liabilities					
Lease liabilities		719	–	504	–
Bank borrowing	*29*	–	–	–	20,000
Long-term other payable	*28*	8,067	8,067	–	–
Deferred tax liabilities	*20*	20,477	18,340	16,203	15,135
		29,263	26,407	16,707	35,135
Net assets		497,031	399,737	549,860	444,722
Capital and reserves					
Share capital	*33*	36,950	111,000	113,843	113,843
Reserves		389,615	230,231	384,944	283,448
Equity attributable to owners of the Company		426,565	341,231	498,787	397,291
Non-controlling interests		70,466	58,506	51,073	47,431
Total equity		497,031	399,737	549,860	444,722

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at June 30,
	NOTES	**2021**	**2022**	**2023**	**2024**
		RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Non-current assets					
Equipment	*16*	7,491	7,377	9,876	8,950
Right-of-use assets		2,108	759	1,716	1,202
Other intangible assets	*18*	63,985	34,603	41,164	48,565
Investments in subsidiaries	*19*	115,032	123,771	128,752	134,463
Deferred tax assets	*20*	32,581	56,375	80,729	103,490
Long-term trade receivables	*21*	–	57,658	30,141	31,831
Amount due from subsidiaries	*25*	–	90,247	63,592	90,940
Pledged/restricted bank deposits	*27*	3,400	1,903	1,875	1,875
		224,597	372,693	357,845	421,316
Current assets					
Inventories	*22*	30,051	35,113	49,246	57,436
Trade and other receivables	*23*	172,240	280,614	377,426	410,280
Contract assets	*24*	20,305	16,426	8,153	13,699
Amount due from the ultimate holding company	*25*	9,232	5,185	5,430	7,311
Amounts due from fellow subsidiaries	*25*	49,799	26,065	52,363	36,644
Amounts due from subsidiaries	*25*	1,040	30,249	169,540	151,835
Financial assets at FVTPL	*26*	–	45,000	–	–
Pledged/restricted bank deposits	*27*	3,941	4,355	5,516	11,237
Cash and cash equivalents	*27*	410,202	139,086	108,305	74,077
		696,810	582,093	775,979	762,519

	NOTES	As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at June 30, 2024
		RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Current liabilities					
Bill, trade and other payables	*28*	180,523	290,735	333,123	326,627
Bank borrowings	*29*	77,084	–	80,000	156,000
Amount due to the ultimate holding company	*30*	127,114	169,519	16,957	46,254
Amounts due to related companies	*30*	6,718	21,343	45,437	61,998
Amount due to subsidiaries	*30*	6	367	4,733	35,656
Lease liabilities		1,370	530	1,047	1,047
Provision	*31*	27,305	48,189	57,381	54,263
Contract liabilities	*32*	49,862	26,569	37,494	22,955
Deferred income		1,876	3,956	2,261	868
		471,858	561,208	578,433	705,668
Net current assets		224,952	20,885	197,546	56,851
Total assets less current liabilities		449,549	393,578	555,391	478,167
Non-current liabilities					
Lease liabilities		528	–	504	–
Bank borrowing	*29*	–	–	–	20,000
Long-term other payable	*28*	8,067	8,067	–	–
		8,595	8,067	504	20,000
Net assets		440,954	385,511	554,887	458,167
Capital and reserves					
Share capital	*33*	36,950	111,000	113,843	113,843
Reserves		404,004	274,511	441,044	344,324
Total equity		440,954	385,511	554,887	458,167

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital *RMB in thousands*	**Paid-in capital** *RMB in thousands*	**Share premium** *RMB in thousands*	**Capital reserve** *RMB in thousands (Note a)*	**Statutory reserve** *RMB in thousands (Note b)*	**Share-based payments reserve** *RMB in thousands*	**Retained profits/ (Accumulated losses)** *RMB in thousands*	**Subtotal** *RMB in thousands*	**Non-controlling interests** *RMB in thousands*	**Total** *RMB in thousands*
At January 1, 2021	–	22,420	–	795	4,790	–	48,697	76,702	4,267	80,969
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(83,707)	(83,707)	(5,694)	(89,401)
Acquisition of a subsidiary *(Note 35)*	–	–	–	–	–	–	–	–	71,481	71,481
Capital injection *(Note 33)*	–	4,540	–	–	–	–	–	4,540	–	4,540
Conversion into a joint stock company *(Note 33)*	35,000	(26,960)	17,274	(931)	(4,790)	–	(19,593)	–	–	–
Issuance of ordinary shares *(Note 33)*	1,950	–	388,050	–	–	–	–	390,000	–	390,000
Equity-settled share-based payments *(Note 34)*	–	–	–	6,336	–	32,694	–	39,030	412	39,442
At December 31, 2021	36,950	–	405,324	6,200	–	32,694	(54,603)	426,565	70,466	497,031
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(189,400)	(189,400)	(19,195)	(208,595)
Issuance of ordinary shares *(Note 33)*	50	–	9,950	–	–	–	–	10,000	–	10,000
Capital contribution from a non-controlling shareholder of a subsidiary of the Group	–	–	–	–	–	–	–	–	6,000	6,000
Conversion of share premium into share capital *(Note 33)*	74,000	–	(74,000)	–	–	–	–	–	–	–
Equity-settled share-based payments *(Note 34)*	–	–	–	(71)	–	94,137	–	94,066	1,235	95,301
At December 31, 2022	111,000	–	341,274	6,129	–	126,831	(244,003)	341,231	58,506	399,737
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(144,842)	(144,842)	(9,382)	(154,224)
Capital contribution from a non-controlling shareholder of a subsidiary of the Group	–	–	–	–	–	–	–	–	700	700
Issuance of ordinary shares *(Note 33)*	2,843	–	207,157	–	–	–	–	210,000	–	210,000
Equity-settled share-based payments *(Note 34)*	–	–	–	1,130	–	91,268	–	92,398	1,249	93,647
At December 31, 2023	113,843	–	548,431	7,259	–	218,099	(388,845)	498,787	51,073	549,860

	Attributable to owners of the Company									
	Share capital *RMB in thousands*	Paid-in capital *RMB in thousands*	Share premium *RMB in thousands*	Capital reserve *RMB in thousands (Note a)*	Statutory reserve *RMB in thousands (Note b)*	Share-based payments reserve *RMB in thousands*	Retained profits/ (Accumulated losses) *RMB in thousands*	Subtotal *RMB in thousands*	Non-controlling interests *RMB in thousands*	Total *RMB in thousands*
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(129,653)	(129,653)	(4,085)	(133,738)
Equity-settled share-based payments *(Note 34)*	–	–	–	116	–	28,041	–	28,157	443	28,600
At June 30, 2024	113,843	–	548,431	7,375	–	246,140	(518,498)	397,291	47,431	444,722
(Unaudited)										
At January 1, 2023	111,000	–	341,274	6,129	–	126,831	(244,003)	341,231	58,506	399,737
Loss and total comprehensive expense for the period	–	–	–	–	–	–	(97,513)	(97,513)	(8,523)	(106,036)
Capital contribution from a non-controlling shareholder of a subsidiary of the Group	–	–	–	–	–	–	–	–	700	700
Equity-settled share-based payments *(Note 34)*	–	–	–	1,424	–	46,959	–	48,383	617	49,000
At June 30, 2023	111,000	–	341,274	7,553	–	173,790	(341,516)	292,101	51,300	343,401

Notes:

(a) The capital reserve represented the recognition of equity-settled share-based payment issued by iFLYTEK Co., Ltd. (科大訊飛股份有限公司) ("iFLYTEK"), the ultimate holding company of the Company, to certain employees of the Group.

(b) According to the relevant laws in the People's Republic of China (the "PRC"), each of the companies established in the PRC with limited liability is required to transfer at least 10% of its net profit after taxation, as determined under the PRC accounting regulations, to statutory reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
OPERATING ACTIVITIES					
Loss before tax	(110,970)	(244,100)	(186,915)	(126,531)	(163,289)
Adjustments for:					
Finance costs	2,895	590	1,211	41	2,087
Interest income	(1,807)	(2,403)	(1,397)	(941)	(374)
Imputed interest for long-term trade receivables	–	(734)	(6,563)	(3,313)	(2,836)
Gains from changes in fair value of financial assets at FVTPL	–	(2,726)	(904)	(577)	(318)
Depreciation of equipment	2,838	3,956	7,081	2,205	4,357
Depreciation of right-of-use assets	1,437	1,732	1,505	782	514
Amortization of other intangible assets	32,668	48,544	33,374	16,044	18,587
Impairment losses under expected credit loss model, net of reversal	628	8,602	6,187	3,508	8,402
Losses (gains) on disposals of equipment	144	(12)	33	8	12
Equity-settled share-based payments	34,900	96,653	93,331	47,934	28,632
Alteration of lease contract	139	–	–	–	–
Provision of warranty	25,862	35,155	31,059	10,377	8,744
Operating cash flow before movements in working capital	(11,266)	(54,743)	(21,998)	(50,463)	(95,482)
Increase in long-term trade receivables	–	(103,073)	(18,732)	(25,143)	(2,328)
Increase in inventories	(7,945)	(14,523)	(26,641)	(20,912)	(12,397)
Increase in trade and other receivables	(67,715)	(132,141)	(187,099)	(68,300)	(65,235)
(Increase) decrease in amount due from the ultimate holding company	(7,410)	4,080	(1,568)	512	(2,332)
(Increase) decrease in amounts due from fellow subsidiaries	(36,866)	23,858	(32,709)	(10,866)	16,086
Decrease (increase) in contract assets	498	3,740	8,413	6,244	(5,654)
Increase in bill, trade and other payables	73,225	123,823	85,066	26,976	8,446

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
(Decrease) increase in contract liabilities	(5,731)	(22,482)	12,285	1,724	(13,035)
Increase (decrease) in amount due to the ultimate holding company	38,795	49,045	(144,973)	8,910	28,731
(Decrease) increase in amounts due to related companies	(25,831)	19,674	34,375	14,018	22,993
Decrease in provision	(6,010)	(13,371)	(19,113)	(7,782)	(12,400)
Increase (decrease) in deferred income	21	2,198	(1,722)	(1,219)	(1,442)
Cash used in operations	(56,235)	(113,915)	(314,416)	(126,301)	(134,049)
Income tax refunded (paid)	3,554	(19)	111	111	(65)
NET CASH USED IN OPERATING ACTIVITIES	(52,681)	(113,934)	(314,305)	(126,190)	(134,114)
INVESTING ACTIVITIES					
Interest received	1,269	2,718	1,397	941	374
Proceeds from disposal of equipment	133	261	6	6	2
Purchase of equipment	(6,061)	(5,981)	(10,823)	(5,026)	(2,892)
Payment of additions of other intangible assets	(22,517)	(9,084)	(25,683)	(11,648)	(16,791)
Acquisition of a subsidiary	(55,445)	–	(24,203)	(24,203)	(8,067)
Placement of pledged/restricted bank deposits	(4,882)	(1)	(13,416)	(8,397)	(6,164)
Withdrawal of pledged/restricted bank deposits	7,809	1,084	12,283	8,170	443
Purchase of financial assets at FVTPL	–	(1,133,100)	(312,600)	(180,600)	(50,000)
Withdrawal of financial assets at FVTPL	–	1,050,826	373,504	266,177	75,318
Loan to the ultimate holding company	(1,095)	–	–	–	–
Repayment of loan to the ultimate holding company	23,232	–	–	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(57,557)	(93,277)	465	45,420	(7,777)

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
FINANCING ACTIVITIES					
Interest paid	(1,345)	(590)	(2,761)	(41)	(2,087)
Repayment of lease liabilities	(1,724)	(1,756)	(1,259)	(731)	(504)
Repayment of loan from the ultimate holding company	(201,791)	–	–	–	–
Loan from the ultimate holding company	178,754	–	–	–	–
Bank borrowings raised	77,084	–	128,000	20,000	146,000
Repayment of bank borrowings	–	(77,084)	(40,000)	–	(40,000)
Capital injection	4,540	–	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries of the group	–	6,000	700	700	–
Proceeds from issuance of ordinary shares	390,000	10,000	210,000	–	–
Issue costs paid	(844)	(568)	(1,354)	(283)	(2,056)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	444,674	(63,998)	293,326	19,645	101,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	334,436	(271,209)	(20,514)	(61,125)	(40,538)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	99,791	434,227	163,018	163,018	142,504
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	434,227	163,018	142,504	101,893	101,966

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company, formerly known as Anhui Xunfei Medical Co., Ltd. (安徽訊飛醫療股份有限公司), Anhui iFLYTEK Medical Information Technology Company Limited (安徽科大訊飛醫療信息技術有限公司) and Anhui Puji Information Technology Company Limited (安徽普濟信息科技有限公司), was established as a company with limited liability in Hefei City, Anhui Province, the PRC on May 13, 2016, under the Company Law of the PRC. The immediate holding company and the ultimate holding company of the Company is iFLYTEK. The address of the registered office and the principal place of business of the Company is disclosed in the section headed "Corporate Information" in the Prospectus.

On December 24, 2021, the Company was converted into a joint stock company with limited liability.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of comprehensive healthcare AI solutions in the PRC throughout the Track Record Period. Details of the subsidiaries are disclosed in Note 40.

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

The statutory financial statements of the Company for the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by 容誠會計師事務所(特殊普通合夥), a certified public accountant registered in the PRC.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting periods beginning on or after January 1, 2024, throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following amendments to IFRSs have been issued which are not yet effective:

Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS Accounting Standards	*Annual Improvements to IFRS Accounting Standards-Volume 11*[3]
Amendments to IAS 21	*Lack of Exchangeability*[2]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after January 1, 2025.

3 Effective for annual periods beginning on or after January 1, 2026.

4 Effective for annual periods beginning on or after January 1, 2027.

The application of IFRS 18 has impact on presentation of the consolidated statement of profit or loss and other comprehensive income and no impact on the Group's financial positions and performance. Except for the IFRS 18, the directors of the Company anticipate that the application of these amendments to IFRSs will have no material impact on the Group's financial position and performance in foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognized in profit or loss as incurred.

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37") or IFRIC-Int 21 *Levies* ("IFRIC-Int 21"), in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* ("IAS 12") and IAS 19 *Employee Benefits* respectively;

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Investments in subsidiaries

Investment in subsidiaries are stated in the statement of financial position of the Company at cost less any identified impairment loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 6.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Restricted share units ("RSU") granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). In addition, the ultimate holding company of the Company, iFLYTEK, also operates certain share-based payment transactions which may cover certain employees of the Group. RSUs granted to the grantees of the Group are recognized as an employee benefit expenses over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, with a corresponding increase in equity (capital reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Other intangible assets

Other intangible assets acquired separately

Other intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for other intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated other intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated other intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as other intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment on equipment, right-of-use assets and other intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of equipment, right-of-use assets and other intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of equipment, right-of-use assets, and other intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the Historical Financial Information of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories are determined on the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of intelligent primary medical institution business and intelligent hospital business are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables, long-term trade receivables and trade receivables due from related parties arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from contracts with customers* ("IFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amount due from the ultimate holding company, amounts due from fellow subsidiaries, cash and cash equivalents), pledged/restricted bank deposits and long-term trade receivables and other items (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables, long-term trade receivables, trade receivables due from related parties and contract assets.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables, long-term trade receivables and trade receivables due from related parties using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables, long-term trade receivables, trade receivables due from related parties and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities including bill, trade and other payables, long-term other payable, bank borrowings, amount due to the ultimate holding company and amounts due to related companies are subsequently measured at amortized cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described.

Estimated impairment of development costs

Development costs are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired.

Determining whether development costs are impaired requires an estimation of recoverable amount of the cash-generating unit to which the development costs belong, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arising from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further loss may arise.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amount of development costs were RMB23,082,000, RMB11,676,000, RMB14,018,000 and RMB21,120,000, respectively, no impairment loss was recognized by the management of the Group during the Track Record Period. Details of the recoverable amount calculation are disclosed in Note 18.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amounts of goodwill were RMB23,777,000, RMB23,777,000, RMB23,777,000 and RMB23,777,000, respectively. No impairment loss was recognized by the management of the Group during the Track Record Period. Details of the recoverable amount calculation are disclosed in Note 17.

Deferred tax assets

As at December 31, 2021, 2022 and 2023 and June 30, 2024, deferred tax assets of RMB42,813,000, RMB74,829,000, RMB105,699,000 and RMB134,150,000, respectively, in relation to the unused tax loss for certain operating subsidiaries and deductible temporary difference have been recognized in the consolidated statements of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables

The trade receivables that are credit-impaired are assessed for ECL individually. In addition, for trade receivables which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors based on the Group's internal credit ratings. The information about the ECL and the Group's trade receivables are disclosed in Notes 37 and 23, respectively.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amount of trade receivables and long-term trade receivables were RMB162,335,000, RMB373,389,000, RMB577,461,000 and RMB641,386,000 respectively, net of allowance of credit losses amounting to RMB825,000, RMB9,445,000, RMB15,411,000 and RMB23,055,000 respectively.

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Types of goods or services					
Project implementation services	344,359	441,025	469,200	165,050	190,403
Operation services	21,895	24,522	34,674	12,112	11,112
AI healthcare products	6,198	6,313	52,251	17,369	27,690
	372,452	471,860	556,125	194,531	229,205

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
By business lines					
Primary Healthcare ("PHC") Services	215,567	298,061	239,754	87,045	55,042
Regional Healthcare Solutions	42,254	93,419	116,638	45,080	20,722
Hospital Services	82,347	43,486	64,912	22,550	58,727
Patient Services	32,284	36,894	134,821	39,856	94,714
	372,452	471,860	556,125	194,531	229,205
Timing of revenue recognition					
A point in time	350,557	447,338	521,451	182,419	218,093
Overtime	21,895	24,522	34,674	12,112	11,112
	372,452	471,860	556,125	194,531	229,205

(ii) Performance obligations for contracts with customers

Information about the Group's performance obligations is summarized below:

Project implementation income are mainly generated from PHC Services, Regional Healthcare Solutions and Hospital Services. Revenue generated from project implementation income are recognized at a point in time when the products or solutions are delivered to the customer's designated place, inspected and accepted by the customers.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which ranges from 1 to 3 years from the date of the acceptance of the products or solutions. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers contract assets to trade receivables when the defect liability period expires.

Sales-related warranties associated with project implementation can not be purchased separately and they serve as an assurance that the solutions provided comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37. Details of the provision for warranties are set out in Note 31.

Operation service income are mainly generated from outbound calling services, extended maintenance and upgrade services, which are recognized over time on a straight-line basis and are mainly included in PHC Services, Hospital Services and Patient Services, since the customers simultaneously receive and consume the benefits provided by the Group as the Group performs. Advance consideration received in these services is recognized as a contract liability and is released on a straight-line basis over the period of services.

The Group is primarily responsible for providing the AI healthcare products to the customers being a principal, and revenue is recognized at a point in time when the AI healthcare products are delivered to and accepted by the customers.

Certain sale contracts of the Group are bundled contracts, which are consisted of multiple elements of platforms and solution services, and are regarded as separate performance obligations. The transaction price is allocated to each item in the sale contract based on their relative stand-alone selling prices. If a stand-alone selling price is not directly observable, the directors of the Company estimate the stand-alone selling price of each of the performance obligations based on the expected cost of satisfying each of the performance obligations (i.e. direct cost and staff costs incurred) plus an estimated reasonable margin for each of the performance obligations.

(iii) Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised 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 assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised 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 assets relate. The asset is subject to impairment review.

(iv) Transaction price allocated to the remaining performance obligation for contracts with customers

The majority of the contracts for provision of PHC Services, Regional Healthcare Solutions and Hospital Services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(v) Segment Information

Information is reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 4. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures, major customers and geographical information are presented in accordance with IFRS 8 *Operating Segments*.

Geographical information

The Group primarily operates in the PRC. The Group's non-current assets are all located in the PRC.

Information about major customers

During the Track Record Period, revenue from customers of the corresponding years/periods contributing over 10% of the total revenue of the Group are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Customer A	N/A[1]	80,431	N/A[1]	N/A[1]	N/A[1]
Customer B	N/A[1]	53,074	N/A[1]	N/A[1]	N/A[1]
Customer C	N/A[1]	47,161	N/A[1]	N/A[1]	N/A[1]
Customer D	91,749	N/A[1]	61,628	N/A[1]	N/A[1]
Customer E	N/A[1]	N/A[1]	63,653	22,639	N/A[1]
Customer F	N/A[1]	N/A[1]	N/A[1]	N/A[1]	28,709

1 The corresponding revenue did not contribute over 10% of total revenue of the Group for the relevant year/period.

7. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Government grants *(Note i)*	14,695	31,050	17,784	7,235	1,494
Value-added tax refund *(Note ii)*	14,657	9,684	22,605	13,588	7,148
Interest income from bank deposits	328	2,403	1,397	941	374
Imputed interest income for long-term trade receivables *(Note iii)*	–	734	6,563	3,313	2,836
Interest income from the ultimate holding company *(Note 39)*	1,479	–	–	–	–
Others	68	129	228	228	268
	31,227	44,000	48,577	25,305	12,120

Notes:

i. The amount represents various subsidies received from the PRC local government authorities as incentives mainly for the Group's research and development activities and financing activities. Unconditional government grants are recognized in profit and loss when received while conditional government grants are recognized in profit or loss when the Group fulfilled the conditions.

ii. In accordance with the Notice of Ministry of Finance and State Administration of Taxation on Value-added Tax Policies for Software Products which was promulgated by the Ministry of Finance and the State Administration of Taxation on October 13, 2011 and came into effect on January 1, 2011, enterprises engaged in the sales of self-developed software in the PRC are entitled to the value added tax refund to the portion of value-added tax actually paid which exceeds 3% of the related sale amounts.

iii. The imputed interest rates applied to long-term trade receivables are 4.75% per annum as at December 31, 2022 and 2023 and June 30, 2024.

8. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Gains from changes in fair value of financial assets at FVTPL	–	2,726	904	577	318
(Losses) gains on disposal of equipment	(144)	12	(33)	(8)	(12)
Donations	–	–	(130)	(130)	(550)
Others	(206)	(33)	(7)	(14)	103
	(350)	2,705	734	425	(141)

9. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Interest expense on loan from the ultimate holding company *(Note 39)*	1,550	–	–	–	–
Interest expense on bank borrowings	1,223	508	1,176	31	2,057
Interest expense on lease liabilities	122	82	35	10	30
	2,895	590	1,211	41	2,087

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Impairment losses recognized, net of reversed on:					
– trade receivables and long-term trade receivables	180	8,620	5,966	3,437	7,644
– amount due from the ultimate holding company	85	(33)	46	1	417
– amounts due from fellow subsidiaries	389	(124)	315	148	233
– contract assets	(26)	139	(140)	(78)	108
	628	8,602	6,187	3,508	8,402

Details of impairment assessment are set out in Note 37.

11. INCOME TAX CREDIT

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Current tax	–	–	–	1,162	–
Deferred tax *(Note 20)*	(21,569)	(35,505)	(32,691)	(21,657)	(29,551)
	(21,569)	(35,505)	(32,691)	(20,495)	(29,551)

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the PRC was 25% for the Track Record Period.

The Company was qualified as a high and new technology enterprise ("HNTE") in 2021, and entitled to a preferential tax rate of 15% from 2021 to 2023. Beijing Huiji Zhiyi Technology Co., Ltd. (北京惠及智醫科技有限公司) was qualified as a HNTE in 2022, and entitled to a preferential tax rate of 15% from 2022 to 2024. Anhui Imaging Union Cloud Health Technology Co., Ltd. (安徽影聯雲享醫療科技有限公司) ("Imaging Union") was qualified as a HNTE in 2019 and separately renewed its HNTE in 2022, and entitled to a preferential tax rate of 15% from 2019 to 2024.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for the period from January 1, 2021 to September 30, 2022 and for the period from October 1, 2022 to June 30, 2024 respectively.

According to a new tax incentives policy promulgated by the Ministry of Finance and the State Taxation Administration in September 2022, an additional 100% of qualified expenditure for acquisition of equipment and appliances incurred from October 1, 2022 to December 31, 2022 is allowed to be deducted from the taxable income. The Company was qualified as a software enterprise and was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction with effect from 2019. In 2022, Imaging Union was also qualified as a software enterprise and was entitled to the two years' exemption from income tax followed by three years of 50% tax reduction, and no assessable profit was generated during the Track Record Period.

Certain subsidiaries of the Group, which are subject to "small and thin-profit enterprises", will benefit from a preferential tax rate of 20% under the EIT Law. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the qualified group entities enjoyed 87.5% reduction on annual taxable income on first RMB1,000,000 and 50% and 75% reduction between the annual taxable income of RMB1,000,000 to RMB3,000,000, respectively.

The income tax credit for the Track Record Period can be reconciled to the loss before tax as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Loss before tax	(110,970)	(244,100)	(186,915)	(126,531)	(163,289)
Tax at PRC enterprise income tax rate of 25%	(27,743)	(61,025)	(46,729)	(31,633)	(40,822)
Tax effect of expenses not deductible for tax purpose	10,878	27,348	26,613	13,521	9,161
Additional deduction of research and development expenses and other qualified expenditure	(17,139)	(27,059)	(32,071)	(12,742)	(13,651)
Effect of change in tax rate	–	1,935	–	–	–
Income tax at concessionary rates	12,435	23,296	19,496	10,359	15,761
Income tax credit for the year/period	(21,569)	(35,505)	(32,691)	(20,495)	(29,551)

12. LOSS BEFORE TAX

Loss for the year/period has been arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Auditor's remunerations	91	300	300	–	–
Directors' remunerations *(Note 13)*	12,457	29,402	29,425	14,710	9,742
Other staff:					
Salaries and other benefits	114,143	185,280	194,194	94,947	102,733
Discretionary bonus	25,282	33,071	38,411	18,900	21,022
Retirement benefit scheme contributions	11,435	17,232	18,472	8,892	9,766
Equity-settled share-based payments	26,206	70,571	67,249	34,892	20,552
Total staff costs	189,523	335,556	347,751	172,341	163,815
Less: Capitalised in development costs	(16,231)	(6,071)	(12,172)	(4,846)	(9,728)
	173,292	329,485	335,579	167,495	154,087
Listing expenses	6,268	1,440	3,901	399	18,735
Depreciation of equipment	2,838	3,956	7,081	2,205	4,357
Depreciation of right-of-use assets	1,437	1,732	1,505	782	514
Amortization of other intangible assets	32,668	48,544	33,374	16,044	18,587
Total depreciation and amortization	36,943	54,232	41,960	19,031	23,458

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Executive and non-executive directors and supervisors

Name	Position	Date of appointment
Dr. Tao Xiaodong	Executive director	December 16, 2021
Dr. Liu Qingfeng	Non-executive director and chairman	December 16, 2021
Mr. Zhao Zhiwei	Non-executive director	May 13, 2016
Mr. Duan Dawei	Non-executive director	December 16, 2021
Mr. Jiang Tao	Non-executive director	December 16, 2021
Prof. Wang Yang	Independent non-executive director	August 12, 2024
Prof. Zhao Huifang	Independent non-executive director	January 25, 2024
Mr. Tan Ching	Independent non-executive director	January 25, 2024
Prof. Ng Wang Wai Charles	Independent non-executive director	January 25, 2024
Ms. Zhang Xuanxuan	Supervisor	December 16, 2021
Ms. Sheng Yan	Supervisor	December 16, 2021
Mr. Gui Yajun	Supervisor	June 2, 2022
Mr. Wu Chuanhu	Supervisor	December 16, 2021

Details of the emoluments paid or payable by the entities comprising the Group to the directors, supervisors and general manager of the Company (including emolument for services as employee/directors of the group entities prior to becoming the directors and supervisors of the Company) during the Track Record Period are as follows:

	Directors' or Supervisors' fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
For the year ended December 31, 2021						
Executive director:						
Dr. Tao Xiaodong *(Note i)*	–	3,322	407	34	1,559	5,322
Non-executive directors:						
Dr. Liu Qingfeng	–	–	–	–	–	–
Mr. Duan Dawei	–	–	–	–	–	–
Mr. Zhao Zhiwei	–	–	–	–	7,135	7,135
Mr. Jiang Tao *(Note ii)*	–	–	–	–	–	–
Independent non-executive directors:						
Prof. Wang Yang	–	–	–	–	–	–
Prof. Zhao Huifang	–	–	–	–	–	–
Mr. Tan Ching	–	–	–	–	–	–
Prof. Ng Wang Wai Charles *(Note iv)*	–	–	–	–	–	–
Supervisors:						
Ms. Zhang Xuanxuan	–	248	220	19	276	763
Ms. Sheng Yan	–	214	29	16	93	352
Mr. Gui Yajun	–	244	46	20	110	420
Mr. Wu Chuanhu *(Note iii)*	–	301	121	29	–	451
	–	4,329	823	118	9,173	14,443

	Directors' or Supervisors' fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
For the year ended December 31, 2022						
Executive director:						
Dr. Tao Xiaodong	–	2,983	300	37	4,676	7,996
Non-executive directors:						
Dr. Liu Qingfeng	–	–	–	–	–	–
Mr. Duan Dawei	–	–	–	–	–	–
Mr. Zhao Zhiwei	–	–	–	–	21,406	21,406
Mr. Jiang Tao	–	–	–	–	–	–
Independent non-executive directors:						
Prof. Wang Yang	–	–	–	–	–	–
Prof. Zhao Huifang	–	–	–	–	–	–
Mr. Tan Ching	–	–	–	–	–	–
Prof. Ng Wang Wai Charles	–	–	–	–	–	–
Supervisors:						
Ms. Zhang Xuanxuan	–	297	262	25	823	1,407
Ms. Sheng Yan	–	172	56	20	172	420
Mr. Gui Yajun	–	280	52	24	329	685
	–	3,732	670	106	27,406	31,914

	Directors' or Supervisors' fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
For the year ended December 31, 2023						
Executive directors:						
Dr. Tao Xiaodong	–	3,005	300	38	4,676	8,019
Non-executive directors:						
Dr. Liu Qingfeng	–	–	–	–	–	–
Mr. Duan Dawei	–	–	–	–	–	–
Mr. Zhao Zhiwei	–	–	–	–	21,406	21,406
Mr. Jiang Tao	–	–	–	–	–	–
Independent non-executive directors:						
Prof. Wang Yang	–	–	–	–	–	–
Prof. Zhao Huifang	–	–	–	–	–	–
Mr. Tan Ching	–	–	–	–	–	–
Prof. Ng Wang Wai Charles	–	–	–	–	–	–
Supervisors:						
Ms. Zhang Xuanxuan	–	360	298	29	823	1,510
Ms. Sheng Yan	–	260	90	22	166	538
Mr. Gui Yajun	–	294	53	26	329	702
Total	–	3,919	741	115	27,400	32,175

	Directors' or Supervisors' fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	RMB in thousands (unaudited)	*RMB in thousands (unaudited)*	*RMB in thousands (unaudited)*	*RMB in thousands (unaudited)*	*RMB in thousands (unaudited)*	*RMB in thousands (unaudited)*
For the six months ended June 30, 2023 (Unaudited)						
Executive directors:						
Dr. Tao Xiaodong	–	1,501	150	18	2,338	4,007
Non-executive directors:						
Dr. Liu Qingfeng	–	–	–	–	–	–
Mr. Duan Dawei	–	–	–	–	–	–
Mr. Zhao Zhiwei	–	–	–	–	10,703	10,703
Mr. Jiang Tao	–	–	–	–	–	–
Independent non-executive directors:						
Prof. Wang Yang	–	–	–	–	–	–
Prof. Zhao Huifang	–	–	–	–	–	–
Mr. Tan Ching	–	–	–	–	–	–
Prof. Ng Wang Wai Charles	–	–	–	–	–	–
Supervisors:						
Ms. Zhang Xuanxuan	–	175	149	15	412	751
Ms. Sheng Yan	–	118	45	11	82	256
Mr. Gui Yajun	–	145	27	13	164	349
Total	–	1,939	371	57	13,699	16,066

	Directors' or Supervisors' fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
For the six months ended June 30, 2024						
Executive directors:						
Dr. Tao Xiaodong	–	1,492	150	19	1,449	3,110
Non-executive directors:						
Dr. Liu Qingfeng	–	–	–	–	–	–
Mr. Duan Dawei	–	–	–	–	–	–
Mr. Zhao Zhiwei	–	–	–	–	6,632	6,632
Mr. Jiang Tao	–	–	–	–	–	–
Independent non-executive directors:						
Prof. Wang Yang	–	–	–	–	–	–
Prof. Zhao Huifang	–	–	–	–	–	–
Mr. Tan Ching	–	–	–	–	–	–
Prof. Ng Wang Wai Charles	–	–	–	–	–	–
Supervisors:						
Ms. Zhang Xuanxuan	–	185	157	16	255	613
Ms. Sheng Yan	–	137	54	14	51	256
Mr. Gui Yajun	–	161	26	15	102	306
Total	–	1,975	389	64	8,489	10,917

Notes:

i. Dr. Tao Xiaodong is the general manager of the Company with effect from December 13, 2016.

ii. Mr. Jiang Tao was resigned as a director of the Company on January 9, 2024.

iii. Mr. Wu Chuanhu was resigned as a supervisor of the Company on March 6, 2022.

iv. Prof. Ng Wang Wai Charles ceased to be an independent non-executive director of the Company on July 16, 2024.

The executive director's emoluments shown above were paid for his services in connection with the management of affairs of the Group and the Company during the Track Record Period. The non-executive directors' and supervisors' emoluments shown above were for their services as directors and supervisors of the Company and the Group, respectively. The discretionary bonuses are determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics. On January 25, 2024, Prof. Ng Wang Wai Charles, Prof. Zhao Huifang and Mr. Tan Ching were appointed as the independent non-executive directors of the Company.

Five highest paid employees

The five highest paid individuals of the Group included two, two, two, two (unaudited) and two directors of the Company during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 (unaudited) and 2024, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining three, three, three, three (unaudited) and three highest paid individuals during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 (unaudited) and 2024, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Salaries and other benefits	1,476	2,418	3,007	1,501	1,139
Discretionary bonus	1,654	1,690	1,171	724	961
Retirement benefit scheme contributions	76	130	140	71	75
Equity-settled share-based payments	5,448	17,332	17,235	8,355	5,182
	8,654	21,570	21,553	10,651	7,357

The number of the highest paid employees remuneration fell within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees (unaudited)*	*No. of employees*
Hong Kong Dollars ("HK$") 1,500,001 to HK$2,000,000	–	–	–	–	1
HK$2,000,001 to HK$2,500,000	–	–	–	–	1
HK$2,500,001 to HK$3,000,000	2	–	–	1	–
HK$3,000,001 to HK$3,500,000	–	–	–	1	1
HK$3,500,001 to HK$4,000,000	–	–	–	–	1
HK$4,000,001 to HK$4,500,000	–	–	–	1	–
HK$5,000,001 to HK$5,500,000	1	–	–	–	–
HK$5,500,001 to HK$6,000,000	–	1	1	1	–
HK$6,500,001 to HK$7,000,000	1	–	1	–	–
HK$7,000,001 to HK$7,500,000	–	1	–	–	1
HK$8,500,001 to HK$9,000,000	1	1	1	–	–
HK$11,000,001 to HK$11,500,000	–	–	1	–	–
HK$11,500,001 to HK$12,000,000	–	–	–	1	–
HK$12,000,001 to HK$12,500,000	–	1	–	–	–
HK$23,500,001 to HK$24,000,000	–	1	1	–	–

During the Track Record Period, no emoluments were paid by the Group to any of the executive director, non-executive directors, independent non-executive directors, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors of the Company waived or agreed to waive any emoluments during the Track Record Period.

14. DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period.

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Loss for the purposes of calculating basic loss per share attributable to owners of the Company	(83,707)	(189,400)	(144,842)	(97,513)	(129,653)

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	in thousands	*in thousands*	*in thousands*	*in thousands (unaudited)*	*in thousands*
Weighted average number of ordinary shares for the purpose of basic loss per share calculation	93,361	110,995	111,117	111,000	113,843

In December 2021, the Company was converted to a joint stock company and a total of 35,000,000 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under the then shareholders. In June 2022, the share capital of the Company was increased to RMB111,000,000 by way of conversion of share premium amounting to RMB 74,000,000 into share capital. The conversion to ordinary shares with a par value of RMB1.00 each and the conversion of share premium into share capital are applied retrospectively for the Track Record Period for the purpose of computation of basic loss per share, as adjusted for the capital contributions by the then shareholder.

No diluted earnings per share for the Track Record Period as there were no potential ordinary shares in issue for each of the three years ended December 31, 2023 or the six months ended June 30, 2023 (unaudited) and 2024.

16. EQUIPMENT

The Group

	Electronic equipment	Office furniture	Leasehold improvement	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
COST				
At January 1, 2021	9,924	2,777	–	12,701
Additions	4,029	2,032	–	6,061
Acquisition of a subsidiary *(Note 35)*	69	3	–	72
Disposals	(356)	(314)	–	(670)
At December 31, 2021	13,666	4,498	–	18,164
Additions	4,526	1,455	–	5,981
Disposals	(669)	(218)	–	(887)
At December 31, 2022	17,523	5,735	–	23,258
Additions	4,118	2,423	4,282	10,823
Disposals	(343)	(58)	–	(401)
At December 31, 2023	21,298	8,100	4,282	33,680
Additions	1,358	1,534	–	2,892
Disposals	(144)	(10)	–	(154)
At June 30, 2024	22,512	9,624	4,282	36,418
DEPRECIATION				
At January 1, 2021	6,424	895	–	7,319
Provided for the year	2,167	671	–	2,838
Eliminated on disposals	(335)	(58)	–	(393)
At December 31, 2021	8,256	1,508	–	9,764
Provided for the year	2,911	1,045	–	3,956
Eliminated on disposals	(620)	(18)	–	(638)
At December 31, 2022	10,547	2,535	–	13,082
Provided for the year	3,451	735	2,895	7,081
Eliminated on disposals	(326)	(36)	–	(362)

	Electronic equipment	Office furniture	Leasehold improvement	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At December 31, 2023	13,672	3,234	2,895	19,801
Provided for the period	2,462	1,175	720	4,357
Eliminated on disposals	(138)	(2)	–	(140)
At June 30, 2024	15,996	4,407	3,615	24,018
CARRYING VALUES				
At January 1, 2021	3,500	1,882	–	5,382
At December 31, 2021	5,410	2,990	–	8,400
At December 31, 2022	6,976	3,200	–	10,176
At December 31, 2023	7,626	4,866	1,387	13,879
At June 30, 2024	6,516	5,217	667	12,400

The Company

	Electronic equipment	Office furniture	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*
COST			
At January 1, 2021	9,869	2,527	12,396
Additions	3,319	1,924	5,243
Disposals	(352)	(128)	(480)
At December 31, 2021	12,836	4,323	17,159
Additions	3,069	230	3,299
Disposals	(596)	(2)	(598)
At December 31, 2022	15,309	4,551	19,860
Additions	4,097	2,344	6,441
Disposals	(329)	(10)	(339)
At December 31, 2023	19,077	6,885	25,962
Additions	843	1,379	2,222
Disposals	(114)	(10)	(124)
At June 30, 2024	19,806	8,254	28,060

	Electronic equipment	Office furniture	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*
DEPRECIATION			
At January 1, 2021	6,421	859	7,280
Provided for the year	2,085	655	2,740
Eliminated on disposals	(333)	(19)	(352)
At December 31, 2021	8,173	1,495	9,668
Provided for the year	2,417	960	3,377
Eliminated on disposals	(561)	(1)	(562)
At December 31, 2022	10,029	2,454	12,483
Provided for the year	1,720	2,210	3,930
Eliminated on disposals	(317)	(10)	(327)
At December 31, 2023	11,432	4,654	16,086
Provided for the period	2,274	862	3,136
Eliminated on disposals	(110)	(2)	(112)
At June 30, 2024	13,596	5,514	19,110
CARRYING VALUES			
At January 1, 2021	3,448	1,668	5,116
At December 31, 2021	4,663	2,828	7,491
At December 31, 2022	5,280	2,097	7,377
At December 31, 2023	7,337	2,539	9,876
At June 30, 2024	6,210	2,740	8,950

The above items are depreciated after taking into account the estimated residual value on a straight-line basis over the following periods:

Electronic equipment	3-5 years
Office furniture	5 years
Leasehold improvement	Over the shorter of term of the relevant leases or 3 years

17. GOODWILL

The Group

	RMB in thousands
COST AND CARRYING VALUES	
At January 1, 2021	–
Arising on acquisition of a subsidiary *(Note 35)*	23,777
At December 31, 2021, 2022 and 2023 and June 30, 2024	23,777

The recoverable amount of the cash-generating unit ("CGU") was determined based on a value in use calculation ("VIU") by using the discounted cashflow method, based on the CGU's financial budgets approved by the board of directors of the Company covering a five-year period. The CGU's cash flows beyond the five-year period were extrapolated by using a steady 2.0% growth rate, which was based on the relevant industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. The values to the assigned key assumptions were based on the past performance of the CGU and the management's expectation of future market development. Pre-tax discount rate of 16.4%, 14.7%, 14.6% and 14.6% were used to reflect market assessment of time value and the specific risks relating to the CGU for the impairment review as at December 31, 2021, 2022 and 2023 and June 30, 2024 respectively.

In the view of the directors of the Company, such assessment indicated that there was sufficient headroom in respect of the reasonably possible change in the key parameter, and had not identified that a reasonably possible change in the key parameter would cause the carrying amount of the CGU to exceed the recoverable amount as at December 31, 2021,2022 and 2023 and June 30, 2024.

During the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, management of the Group determines that there is no impairment on the CGU. The recoverable amount of the CGU exceeded its carrying amount by RMB7,025,000, RMB12,551,000, RMB35,316,000 and RMB51,901,000 as at December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 respectively. If the pre-tax discount rate was changed to 16.7%, 15.3%, 16.2% and 17.5% respectively, while other parameters remain constant, the recoverable amount of the CGU would equal its carrying amount.

18. OTHER INTANGIBLE ASSETS

The Group

	Imaging platform	**Intellectual properties**	**Development costs**	**Total**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
COST				
At January 1, 2021	–	96,184	23,427	119,611
Additions	–	–	22,517	22,517
Acquisition of a subsidiary *(Note 35)*	142,447	505	–	142,952
Transfer	–	22,862	(22,862)	–
At December 31, 2021	142,447	119,551	23,082	285,080
Additions	–	1,265	7,819	9,084
Transfer	–	19,225	(19,225)	–

	Imaging platform	Intellectual properties	Development costs	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At December 31, 2022	142,447	140,041	11,676	294,164
Additions	–	3,695	21,988	25,683
Transfer	–	19,646	(19,646)	–
At December 31, 2023	142,447	163,382	14,018	319,847
Additions	–	–	16,791	16,791
Transfer	–	9,689	(9,689)	–
At June 30, 2024	142,447	173,071	21,120	336,638

	Imaging platform	Intellectual properties	Development costs	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
AMORTIZATION				
At January 1, 2021	–	46,939	–	46,939
Charge for the year	5,935	26,733	–	32,668
At December 31, 2021	5,935	73,672	–	79,607
Charge for the year	14,245	34,299	–	48,544
At December 31, 2022	20,180	107,971	–	128,151
Charge for the year	14,245	19,129	–	33,374
At December 31, 2023	34,425	127,100	–	161,525
Charge for the period	7,122	11,465	–	18,587
At June 30, 2024	41,547	138,565	–	180,112
CARRYING VALUES				
At January 1, 2021	–	49,245	23,427	72,672
At December 31, 2021	136,512	45,879	23,082	205,473
At December 31, 2022	122,267	32,070	11,676	166,013
At December 31, 2023	108,022	36,282	14,018	158,322
At June 30, 2024	100,900	34,506	21,120	156,526

The Company

	Intellectual properties	Development costs	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*
COST			
At January 1, 2021	94,156	23,427	117,583
Additions	–	19,459	19,459
Transfer	22,862	(22,862)	–
At December 31, 2021	117,018	20,024	137,042
Additions	732	2,683	3,415
Transfer	13,739	(13,739)	–
At December 31, 2022	131,489	8,968	140,457
Additions	598	21,248	21,846
Transfer	16,198	(16,198)	–
At December 31, 2023	148,285	14,018	162,303
Additions	–	16,740	16,740
Transfer	9,689	(9,689)	–
At June 30, 2024	157,974	21,069	179,043
AMORTIZATION			
At January 1, 2021	46,770	–	46,770
Charge for the year	26,287	–	26,287
At December 31, 2021	73,057	–	73,057
Charge for the year	32,797	–	32,797
At December 31, 2022	105,854	–	105,854
Charge for the year	15,285	–	15,285
At December 31, 2023	121,139	–	121,139
Charge for the period	9,339	–	9,339
At June 30, 2024	130,478	–	130,478
CARRYING VALUES			
At January 1, 2021	47,386	23,427	70,813
At December 31, 2021	43,961	20,024	63,985
At December 31, 2022	25,635	8,968	34,603
At December 31, 2023	27,146	14,018	41,164
At June 30, 2024	27,496	21,069	48,565

The above items have finite useful lives. Such other intangible assets are amortized on a straight-line basis over the following periods:

Imaging platform	10 years
Intellectual properties	3-10 years

The recoverable amount of the development costs was determined based on a value in use calculation ("VIU") by using the discounted cashflow method, based on the financial budgets of individual development projects approved by management covering the following 3 years. The values to the assigned key assumptions were based on the historical performance of comparable products and the management's expectation of future market development. Pre-tax discount rate of 18.6%, 18.4%, 17.4% and 17.2% were used to reflect market assessment of time value and the specific risks relating to the development costs for the impairment review as at December 31, 2021, 2022 and 2023 and June 30, 2024 respectively.

In the view of the directors of the Company, such assessment indicated that there was sufficient headroom in respect of the reasonably possible change in the key parameter, and had not identified that a reasonably possible change in the key parameter would cause the carrying amount of the CGU to exceed the recoverable amount as at December 31, 2021,2022 and 2023 and June 30, 2024.

During the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, management of the Group determines that there is no impairment on the development costs. The recoverable amount of the CGUs exceeded its carrying amount by RMB3,106,000, RMB2,320,000, RMB4,249,000 and RMB4,885,000 as at December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 respectively. If the pre-tax discount rate was changed to 26.3%, 38.4%, 40.8% and 41.2% respectively, while other parameters remain constant, the recoverable amount of the CGU would equal its carrying amount.

19. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Cost of investments	115,032	123,771	128,752	134,463

20. DEFERRED TAX

For the purpose of presentation in the Historical Financial Information, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Deferred tax assets	42,813	74,829	105,699	134,150
Deferred tax liabilities	(20,477)	(18,340)	(16,203)	(15,135)
	22,336	56,489	89,496	119,015

The following are deferred tax assets (liabilities) recognized and movements thereon during the current and prior years/periods:

	Accelerated amortization of other intangible assets	ECL provision	Tax losses	Accrued expense	Warranty provision	Accelerated tax depreciation	Excess of fair value over the carrying amounts for other intangible assets	Share-based payments	Others	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At January 1, 2021	6,737	102	1,913	4,558	931	(668)	–	–	231	13,804
Credit (charge) to profit or loss	2,146	115	7,552	7,823	3,164	(251)	890	133	(3)	21,569
Credit to equity for the year	–	–	2,660	–	–	–	–	1,882	–	4,542
Acquisition of a subsidiary *(Note 35)*	–	–	3,788	–	–	–	(21,367)	–	–	(17,579)
At December 31, 2021	8,883	217	15,913	12,381	4,095	(919)	(20,477)	2,015	228	22,336
Credit (charge) to profit or loss	2,827	1,561	15,203	10,257	3,268	(216)	2,137	(628)	3,031	37,440
Charge to equity for the year	–	–	(455)	–	–	–	–	(897)	–	(1,352)
Effect of change in tax rate	(46)	–	(1,434)	(455)	–	–	–	–	–	(1,935)
At December 31, 2022	11,664	1,778	29,227	22,183	7,363	(1,135)	(18,340)	490	3,259	56,489
Credit (charge) to profit or loss	300	1,278	24,919	2,884	1,841	94	2,137	(257)	(505)	32,691
Credit to equity for the year	–	–	227	–	–	–	–	89	–	316
At December 31, 2023	11,964	3,056	54,373	25,067	9,204	(1,041)	(16,203)	322	2,754	89,496
Credit (charge) to profit or loss	(449)	1,331	33,148	(3,409)	(555)	(31)	1,068	10	(1,562)	29,551
Charge to equity for the period	–	–	–	–	–	–	–	(32)	–	(32)
At June 30, 2024	11,515	4,387	87,521	21,658	8,649	(1,072)	(15,135)	300	1,192	119,015
At January 1, 2023	11,664	1,778	29,227	22,183	7,363	(1,135)	(18,340)	490	3,259	56,489
Credit to profit or loss (unaudited)	79	668	18,208	758	389	96	1,068	102	289	21,657
Credit to equity for the period (unaudited)	–	–	–	–	–	–	–	1,066	–	1,066
At June 30, 2023 (unaudited)	11,743	2,446	47,435	22,941	7,752	(1,039)	(17,272)	1,658	3,548	79,212

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Deferred tax assets	32,581	56,375	80,729	103,490

The following are deferred tax assets (liabilities) recognized and movements thereon during the current and prior years/periods:

	Accelerated amortization of other intangible assets	ECL provision	Tax losses	Accrued expense	Warranty provision	Accelerated tax depreciation	Share-based payments	Others	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At January 1, 2021	6,717	102	–	4,558	931	(668)	–	231	11,871
Credit (charge) to profit or loss	2,053	112	4,293	6,641	3,164	(251)	133	23	16,168
Credit to equity for the year	–	–	2,660	–	–	–	1,882	–	4,542
At December 31, 2021	8,770	214	6,953	11,199	4,095	(919)	2,015	254	32,581
Credit (charge) to profit or loss	2,670	864	7,164	10,521	3,133	(134)	(628)	1,556	25,146
Charge to equity for the year	–	–	(455)	–	–	–	(897)	–	(1,352)
At December 31, 2022	11,440	1,078	13,662	21,720	7,228	(1,053)	490	1,810	56,375
Credit (charge) to profit or loss	16	402	21,755	1,517	1,379	81	(257)	(855)	24,038
Credit to equity for the year	–	–	227	–	–	–	89	–	316
At December 31, 2023	11,456	1,480	35,644	23,237	8,607	(972)	322	955	80,729
(Charge) credit to profit or loss	(494)	1,066	26,100	(2,966)	(468)	(35)	10	(420)	22,793
Charge to equity for the period	–	–	–	–	–	–	(32)	–	(32)
At June 30, 2024	10,962	2,546	61,744	20,271	8,139	(1,007)	300	535	103,490
(Unaudited)									
At January 1, 2023	11,440	1,078	13,662	21,720	7,228	(1,053)	490	1,810	56,375
(Charge) credit to profit or loss	(48)	309	14,171	(157)	110	89	102	(468)	14,108
Credit to equity for the period	–	–	–	–	–	–	1,066	–	1,066
At June 30, 2023	11,392	1,387	27,833	21,563	7,338	(964)	1,658	1,342	71,549

The Group has unused tax losses of approximately RMB96,533,000, RMB156,680,000, RMB343,736,000 and RMB550,664,000 available for offset against future profits as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. A deferred tax asset has been recognised in respect of all tax losses.

The directors of the Company considered probable that the Group will have sufficient taxable profits available in the foreseeable future to enable the deferred tax asset to be recovered.

The unused tax losses will expire as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
2026	1,406	1,406	1,406	–
2027	7,499	7,499	7,499	4,320
2028	8,989	8,989	8,989	8,989
2029	5,986	5,986	5,986	5,986
2030	9,025	1,376	1,376	1,376
2031	63,628	62,140	62,140	62,140
2032	–	69,284	69,180	69,180
2033	–	–	187,160	187,160
2034	–	–	–	211,513
	96,533	156,680	343,736	550,664

21. LONG-TERM TRADE RECEIVABLES

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Long-term trade receivables *(Note)*	–	148,598	180,873	185,058	–	87,566	93,027	96,795
Less: due within one year	–	(44,791)	(97,996)	(99,745)	–	(27,928)	(62,039)	(63,403)
Less: allowance for credit losses	–	(4,017)	(3,682)	(4,604)	–	(1,980)	(847)	(1,561)
	–	99,790	79,195	80,709	–	57,658	30,141	31,831

Note: According to the payment terms in the sales contracts with certain customers, certain part of the sales consideration will be collected after one year.

The following in an aged analysis of long-term trade receivables net of allowance for credit losses presented based on invoice dates:

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	–	64,852	–	–	–	22,720	–	–
91-180 days	–	34,938	24,710	2,267	–	34,938	–	2,267
181-365 days	–	–	1,270	22,911	–	–	1,270	–
1-2 years	–	–	53,215	55,531	–	–	28,871	29,564
	–	99,790	79,195	80,709	–	57,658	30,141	31,831

Details of impairment assessment of long-term trade receivables are set out in Note 37.

22. INVENTORIES

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Materials and components	2,508	5,897	2,212	3,002	224	408	907	1,703
Contract fulfillment cost *(Note)*	28,861	38,754	61,174	65,319	28,831	32,468	38,196	38,128
Finished products	996	2,237	10,143	17,605	996	2,237	10,143	17,605
	32,365	46,888	73,529	85,926	30,051	35,113	49,246	57,436

Note: The costs directly relate to the contracts, generate resources that will be used in satisfying the contracts and are expected to be recovered.

23. TRADE AND OTHER RECEIVABLES

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Trade receivables	163,160	279,027	509,995	579,128	160,882	258,143	362,771	402,551
Less: allowance for credit losses	(825)	(5,428)	(11,729)	(18,451)	(805)	(4,661)	(8,216)	(13,867)
	162,335	273,599	498,266	560,677	160,077	253,482	354,555	388,684
Other receivables	6,538	15,054	9,509	9,073	6,402	14,042	8,061	8,032
Advance to suppliers	6,059	12,925	10,831	14,909	4,109	11,063	8,723	7,998
Prepayments for listing expenses	43	43	2,966	434	43	43	2,966	434
Deferred issue costs	1,609	1,984	3,111	5,132	1,609	1,984	3,111	5,132
Other tax recoverables	193	1,278	8,577	6,332	–	–	10	–
	176,777	304,883	533,260	596,557	172,240	280,614	377,426	410,280

As at January 1, 2021, the Group's and the Company's trade receivables amounted to RMB82,376,000.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on invoice dates:

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	118,437	106,884	135,211	115,613	116,991	88,391	94,668	82,025
91-180 days	5,444	41,354	77,951	43,050	5,412	40,787	11,314	28,324
181-365 days	14,307	28,978	76,193	162,443	13,543	28,293	74,152	73,870
1-2 years	23,655	73,770	132,624	176,421	23,639	73,415	98,346	141,677
2-3 years	16	22,261	65,357	41,281	16	22,244	65,160	41,028
Over 3 years	476	352	10,930	21,869	476	352	10,915	21,760
	162,335	273,599	498,266	560,677	160,077	253,482	354,555	388,684

Details of impairment assessment of trade and other receivables are set out in Note 37.

24. CONTRACT ASSETS

The Group and the Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
PHC Services	10,055	5,926	2,809	5,340
Regional Healthcare Solutions	4,424	4,287	617	1,218
Hospital Services	5,545	5,334	4,552	6,649
Patient Services	387	1,124	280	705
	20,411	16,671	8,258	13,912
Less: allowance for credit losses	(106)	(245)	(105)	(213)
	20,305	16,426	8,153	13,699

As at January 1, 2021, the Group's and the Company's contract assets amounted to RMB24,653,000.

The Group classifies these contract assets as current because the Group expects to realize them in its normal operating cycle.

The Group typically agrees to a retention period ranging from 1 to 3 years for 5% to 10% of the contract value with certain customers in accordance with the terms specified in the relevant contracts.

Details of the impairment assessment are set out in Note 37.

25. AMOUNT(S) DUE FROM THE ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/SUBSIDIARIES

Amount due from the ultimate holding company

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
iFLYTEK				
Trade related	9,317	5,237	6,805	9,137
Less: allowance for credit losses	(85)	(52)	(98)	(515)
	9,232	5,185	6,707	8,622
Non-trade related	315	–	–	–
	9,547	5,185	6,707	8,622

The balances of trade nature are unsecured and non-interest bearing. The balances of non-trade nature are unsecured and repayable on demand which bears interest with 3.65% per annum.

The following is an aged analysis of the Group's trade related balances net of allowance for credit losses presented based on invoice dates:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	9,232	758	3,977	4,541
91-180 days	–	2,113	–	–
181-365 days	–	299	2,730	3,688
1-2 years	–	2,015	–	393
	9,232	5,185	6,707	8,622

Maximum amount outstanding during the Track Record Period of amount due from the ultimate holding company of non-trade nature disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
iFLYTEK	22,451	315	–	–

The Company

	As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at June 30, 2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
iFLYTEK				
Trade related	9,317	5,237	5,494	7,826
Less: allowance for credit losses	(85)	(52)	(64)	(515)
	9,232	5,185	5,430	7,311

The balances of trade nature are unsecured and non-interest bearing.

The following is an aged analysis of the Company's trade related balances net of allowance for credit losses presented based on invoice dates:

	As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at June 30, 2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	9,232	758	2,700	4,496
91-180 days	–	2,113	–	–
181-365 days	–	299	2,730	2,427
1-2 years	–	2,015	–	388
	9,232	5,185	5,430	7,311

Amounts due from fellow subsidiaries

The Group

	As at December 31, 2021	As at December 31, 2022	As at December 31, 2023	As at June 30, 2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Trade related				
iFLYTEK Zhiyuan Technology Co., Ltd. (訊飛智元信息科技有限公司)	15,056	2,556	11,864	11,031
Zhejiang Xunzhi Future Technology Co., Ltd. (浙江訊智未來科技有限公司)	–	–	19,245	10,920
Changzhi Kexun Information Technology Co., Ltd. (長治科訊信息科技有限公司)	20,285	10,805	9,484	9,484
Shandong Zixun Information Technology Co., Ltd. (山東淄訊信息科技有限公司)	–	–	4,433	4,433
iFLYTEK (Shanghai) Technology Co., Ltd. (科大訊飛(上海)科技有限公司)	234	845	1,370	1,489
Anhui iFLYTEK New Retail Co., Ltd. (安徽訊飛新零售有限公司)	–	387	2,038	1,344
Xinyu iFLYTEK Information Technology Co., Ltd. (新余訊飛信息科技有限公司)	12,110	8,379	6,145	–
Others	2,503	3,358	4,460	4,252
	50,188	26,330	59,039	42,953
Less: allowance for credit losses	(389)	(265)	(580)	(813)
	49,799	26,065	58,459	42,140

The balances of trade nature are unsecured and non-interest bearing.

The following is an aged analysis of the Group's trade related balances net of allowance for credit losses presented based on invoice dates:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	28,466	2,862	29,534	4,069
91-180 days	20,403	1,239	1,217	589
181-365 days	930	714	12,198	18,569
1-2 years	–	21,250	56	9,547
2-3 years	–	–	15,454	9,094
Over 3 years	–	–	–	272
	49,799	26,065	58,459	42,140

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Zhejiang Xunzhi Future Technology Co., Ltd.	–	–	19,245	10,920
Changzhi Kexun Information Technology Co., Ltd.	20,285	10,805	9,484	9,484
iFLYTEK Zhiyuan Technology Co., Ltd.	15,056	2,556	5,766	5,487
Shandong Zixun Information Technology Co., Ltd.	–	–	4,433	4,433
iFLYTEK (Shanghai) Technology Co., Ltd.	234	845	1,370	1,489
Anhui iFLYTEK New Retail Co., Ltd.	–	387	2,038	1,344
Xinyu iFLYTEK Information Technology Co., Ltd.	12,110	8,379	6,145	–
Others	2,503	3,358	4,458	4,250
	50,188	26,330	52,939	37,407
Less: allowance for credit losses	(389)	(265)	(576)	(763)
	49,799	26,065	52,363	36,644

The balances of trade nature are unsecured and non-interest bearing.

The following is an aged analysis of the Company's trade related balances net of allowance for credit losses presented based on invoice date:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	28,466	2,862	23,454	4,067
91-180 days	20,403	1,239	1,217	589
181-365 days	930	714	12,182	13,087
1-2 years	–	21,250	56	9,535
2-3 years	–	–	15,454	9,094
Over 3 years	–	–	–	272
	49,799	26,065	52,363	36,644

Amounts due from subsidiaries

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Trade related				
Pu'er Kedaxunfei Information Technology Co., Ltd. (普洱科大訊飛信息技術有限公司)	–	52,317	71,078	77,298
Lvliang Kedaxunfei Medical Information Technology Co., Ltd. (呂梁科大訊飛醫療信息技術有限公司)	–	160	71,504	71,771
Imaging Union	984	4,592	8,968	12,946
Beijing Huiji Zhiyi Technology Co., Ltd.	56	1,146	3,767	5,907
Others	–	257	1,259	2,659
Less: allowance for credit losses	–	–	–	(5,381)
	1,040	58,472	156,576	165,200
Non-trade related				
Beijing Huiji Zhiyi Technology Co., Ltd.	–	51,912	53,837	54,537
Imaging Union	–	10,112	22,719	23,038
	1,040	120,496	233,132	242,775
Presented as				
Current assets	1,040	30,249	169,540	151,835
Non-current assets	–	90,247	63,592	90,940
	1,040	120,496	233,132	242,775

The balances of trade nature are unsecured and non-interest bearing. The balances of non-trade nature are unsecured, bearing interests ranged from 2.80% to 3.85% per annum, and repayable in 2023, 2024 and 2025 respectively.

The following is an aged analysis of trade related balances net of allowance for credit losses presented based on invoice dates:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	1,040	9,469	66,508	10,905
91-180 days	–	47,719	7,174	2,723
181-365 days	–	300	24,644	79,571
1-2 years	–	984	57,370	71,166
2-3 years	–	–	880	835
	1,040	58,472	156,576	165,200

Details of impairment assessment are set out in Note 37.

26. FINANCIAL ASSETS AT FVTPL

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Structured bank deposits	–	85,000	25,000	–	–	45,000	–	–

The Group and the Company invested in financial products managed by a financial institution in the PRC. The principal is guaranteed by the relevant financial institutions with expected yield ranged from 1.60% to 2.73%, from 1.40% to 2.80% and from 1.40% to 2.80% per annum as at December 31, 2022 and 2023 and June 30, 2024, respectively, and the actual yield to be received is uncertain until settlement. The investments have maturity date within one year and are classified as financial assets measured at FVTPL.

27. CASH AND CASH EQUIVALENTS AND PLEDGED/RESTRICTED BANK DEPOSITS

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates ranged from 0.30% to 1.90%, from 0.25% to 1.90%, from 0.20% to 1.90% and from 0.20% to 1.90% per annum as at December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Pledged bank deposits represent deposits to secure the guarantee letters issued for the tendering and on-going projects. The pledged bank deposits will be released to the Group in next one to four years from respective year/period end. The pledged bank deposits carry interest at market rates which ranged from 0.30% to 1.77%, from 0.25% to 1.77%, from 0.20% to 1.90% and from 0.20% to 0.35% per annum as at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

As at December 31, 2023 and June 30, 2024, bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations amounting to RMB5,487,000 and RMB11,209,000 respectively can only be applied in the designated projects. The balances carry interest at an interest rate of 0.2% per annum.

28. BILL, TRADE AND OTHER PAYABLES

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Trade payables	92,245	189,271	242,665	262,525	89,611	183,253	211,877	224,422
Bill payables	17,793	22,207	38,379	49,688	17,691	21,227	37,124	47,820
Total trade and bill payables	110,038	211,478	281,044	312,213	107,302	204,480	249,001	272,242
Payroll payables	38,368	46,004	52,060	38,257	35,043	40,962	46,391	32,831
Value added tax and other tax payables	9,877	23,888	30,363	18,226	9,822	16,576	22,122	10,824
Payable for acquisition of a subsidiary *(Note 35)*	32,270	32,270	8,067	–	32,270	32,270	8,067	–
Listing expenses and issue costs payable	3,649	2,609	4,371	7,813	3,649	2,609	4,371	7,813
Others	776	2,552	3,759	3,534	504	1,905	3,171	2,917
	194,978	318,801	379,664	380,043	188,590	298,802	333,123	326,627
Presented as								
Non-current liabilities	8,067	8,067	–	–	8,067	8,067	–	–
Current liabilities	186,911	310,734	379,664	380,043	180,523	290,735	333,123	326,627
	194,978	318,801	379,664	380,043	188,590	298,802	333,123	326,627

The credit period of trade creditors is generally 30 days. The following is an aged analysis of trade payables presented based on the invoice dates:

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	79,160	122,362	161,661	137,603	76,688	118,699	138,691	122,078
91-180 days	3,575	7,458	14,849	29,212	3,575	6,786	10,590	18,258
181-365 days	1,431	19,039	27,212	50,819	1,269	18,862	23,849	41,928
Over 1 year	8,079	40,412	38,943	44,891	8,079	38,906	38,747	42,158
	92,245	189,271	242,665	262,525	89,611	183,253	211,877	224,422

The following is an aged analysis of bill payables based on the bill issuance dates at the end of each reporting period:

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-180 days	17,793	22,207	38,379	49,688	17,691	21,227	37,124	47,820

29. BANK BORROWINGS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Unsecured bank borrowings	77,084	–	88,000	194,000
The carrying amounts of the above borrowings are repayable*:				
Within one year (shown under current liabilities)	77,084	–	88,000	174,000
Within a period of more than one year but not exceeding two years (shown under non-current liabilities)	–	–	–	20,000
	77,084	–	88,000	194,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's bank borrowing were dominated in RMB and carried fixed rates with effective interest rates from 3.85% to 4.20%, from 2.60% to 3.55% and from 2.60% to 3.55% per annum at December 31, 2021 and 2023 and at June 30, 2024 respectively.

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Unsecured bank borrowings	77,084	–	80,000	176,000

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
The carrying amounts of the above borrowings are repayable*:				
Within one year (shown under current liabilities)	77,084	–	80,000	156,000
Within a period of more than one year but not exceeding two years (shown under non-current liabilities)	–	–	–	20,000
	77,084	–	80,000	176,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Company's bank borrowings were denominated in RMB and carried fixed rates with effective interest rates from 3.85% to 4.20%, from 2.60% to 3.25% and from 2.60% to 3.01% per annum at December 31, 2021 and 2023 and at June 30, 2024 respectively.

30. AMOUNT(S) DUE TO THE ULTIMATE HOLDING COMPANY/RELATED COMPANIES/SUBSIDIARIES

Amount due to the ultimate holding company

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
iFLYTEK				
Trade related	129,234	178,279	33,306	62,037
Non-trade related	1,550	1,550	–	–
	130,784	179,829	33,306	62,037

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
iFLYTEK				
Trade related	125,564	167,969	16,957	46,254
Non-trade related	1,550	1,550	–	–
	127,114	169,519	16,957	46,254

The balance of trade nature is unsecured, non-interest bearing and repayable on demand. The balance of non-trade nature is unsecured, non-interest bearing and repayable on demand.

The following is an aged analysis of trade related balances presented based on the invoice dates:

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	19,078	18,370	6,628	21,096	15,408	15,891	1,025	21,020
91-180 days	13,888	12,805	8,871	19,300	13,888	11,332	8,483	19,211
181-365 days	19,481	22,429	6,184	10,993	19,481	19,745	6,116	4,999
1-2 years	41,887	48,777	11,580	5,215	41,887	45,108	1,290	751
2-3 years	34,900	41,887	43	5,433	34,900	41,887	43	273
Over 3 years	–	34,011	–	–	–	34,006	–	–
	129,234	178,279	33,306	62,037	125,564	167,969	16,957	46,254

Amounts due to related companies

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Trade related				
iFLYTEK (Beijing) Co., Ltd. (科大訊飛(北京)有限公司 (formerly known as 中科訊飛互聯(北京)信息科技有限公司)) *(Note i)*	8,598	12,250	22,455	25,762
iFLYTEK Central China (Wuhan) Co., Ltd. (訊飛華中(武漢)有限公司) *(Note i)*	59	6,558	16,080	20,587
Zhejiang iFLYTEK Intelligent Technology Co., Ltd. (浙江訊飛智能科技有限公司) *(Note i)*	318	2,317	5,007	6,631
iFLYTEK (Shanghai) Technology Co., Ltd. *(Note i)*	13	454	3,576	4,333
Sichuan iFLYTEK Super Brain Information Technology Co., Ltd. (四川訊飛超腦信息科技有限公司) *(Note i)*	25	19	2,868	4,333
Liaoning iFLYTEK Information Technology Co., Ltd. (遼寧訊飛信息科技有限公司) *(Note i)*	–	136	1,770	3,471
iFLYTEK Zhiyuan Technology Co., Ltd. *(Note i)*	537	457	590	2,692
iFLYTEK Zhigu Technology Co., Ltd. (訊飛智谷科技有限公司) *(Note i)*	–	–	1,398	1,879
Tianjin iFLYTEK Information Technology Co., Ltd. (天津訊飛信息科技有限公司) *(Note i)*	627	3,219	2,222	1,769
Hefei iFLYTEK Education Development Co., Ltd. (合肥科大訊飛教育發展有限公司) *(Note i)*	–	–	–	1,586
Xi'an Xunfei Super Brain Information Technology Co., Ltd. (西安訊飛超腦信息科技有限公司) *(Note i)*	3	364	631	1,583
iFLYTEK South China Co., Ltd. (科大訊飛華南有限公司) *(Note i)*	–	468	1,017	1,539
Tianjin Zhihuigu Technology Service Co., Ltd. (天津智匯谷科技服務有限公司) *(Note i)*	374	736	1,173	1,371

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Wuhan iFLYTEK Xingzhi Technology Co., Ltd. (武漢訊飛興智科技有限公司) *(Note i)*	231	520	844	1,050
Xinyu iFLYTEK Information Technology Co., Ltd. *(Note i)*	–	–	–	973
Hunan Xiangxun Future Technology Co., Ltd. (湖南湘訊未來科技有限公司) *(Note i)*	–	–	893	971
Wuhu Kexun Aerospace Information Technology Co., Ltd. (蕪湖科訊航天信息技術有限公司) *(Note i)*	–	–	412	927
Nanjing Xunfei Smart City Technology Co., Ltd. (南京訊飛智慧城市科技有限公司) *(Note i)*	–	–	236	803
Shandong Kexun Information Technology Co., Ltd. (山東科訊信息科技有限公司) *(Note i)*	–	213	378	740
Shenzhen Xunfei Intelligent Technology Co., Ltd. (深圳訊飛智慧科技有限公司) *(Note i)*	–	344	349	692
Anhui Tingjian Technology Co., Ltd. (安徽聽見科技有限公司) *(Note i)*	122	930	322	336
Kexun Jialian Information Technology Co., Ltd. (科訊嘉聯信息技術有限公司) *(Note ii)*	947	1,624	816	152
Hefei Intelligent Speech Innovation Development Co., Ltd. (合肥智能語音創新發展有限公司) *(Note ii)*	3	139	81	130
Others *(Note i)*	56	839	2,844	4,645
	11,913	31,587	65,962	88,955

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Trade related				
iFLYTEK Central China (Wuhan) Co., Ltd. *(Note i)*	5	5,770	13,690	16,491
iFLYTEK (Beijing) Co., Ltd. *(Note i)*	4,927	5,010	7,786	8,992
Zhejiang iFLYTEK Intelligent Technology Co., Ltd. *(Note i)*	7	1,562	4,157	5,781
iFLYTEK (Shanghai) Technology Co., Ltd. *(Note i)*	2	454	3,576	4,333
Liaoning iFLYTEK Information Technology Co., Ltd. *(Note i)*	–	136	1,767	3,468
Sichuan iFLYTEK Super Brain Information Technology Co., Ltd. *(Note i)*	7	–	1,963	2,968
iFLYTEK Zhigu Technology Co., Ltd. *(Note i)*	–	–	1,398	1,879
Hefei iFLYTEK Education Development Co., Ltd. *(Note i)*	–	–	–	1,586
Xi'an iFLYTEK Super Brain Information Technology Co., Ltd. (西安訊飛超腦信息科技有限公司) *(Note i)*	3	364	631	1,583
iFLYTEK South China Co., Ltd. *(Note i)*	–	468	1,017	1,539
Tianjin iFLYTEK Information Technology Co., Ltd. *(Note i)*	–	2,795	1,889	1,435
Wuhan iFLYTEK Xingzhi Technology Co., Ltd. *(Note i)*	231	520	844	1,050
Xinyu iFLYTEK Information Technology Co., Ltd. *(Note i)*	–	–	–	973

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Hunan Xiangxun Future Technology Co., Ltd. *(Note i)*	–	–	893	971
Wuhu Kexun Aerospace Information Technology Co., Ltd. *(Note i)*	–	–	412	927
Nanjing Xunfei Smart City Technology Co., Ltd. *(Note i)*	–	–	236	803
Shandong Kexun Information Technology Co., Ltd. *(Note i)*	–	213	378	740
iFLYTEK Zhiyuan Technology Co., Ltd. *(Note i)*	537	457	590	739
Shenzhen Xunfei Intelligent Technology Co., Ltd. *(Note i)*	–	344	349	692
Anhui Jixun Information Technology Co., Ltd. (安徽極訊信息科技有限公司) *(Note i)*	–	76	629	629
Anhui Tingjian Technology Co., Ltd. *(Note i)*	–	649	146	160
Kexun Jialian Information Technology Co., Ltd. *(Note ii)*	947	1,624	816	152
Hefei Intelligent Speech Innovation Development Co., Ltd. *(Note ii)*	3	139	81	93
Others *(Note i)*	49	762	2,189	4,014
	6,718	21,343	45,437	61,998

Notes:

i. The entities are the fellow subsidiaries of the Company.

ii. The entities are associates of iFLYTEK.

The balances of trade nature are unsecured, non-interest bearing and repayable on demand.

The following is an aged analysis of trade related balances presented based on the invoice dates:

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
0-90 days	6,797	19,287	24,182	16,763	2,738	12,306	19,918	14,286
91-180 days	1,129	3,445	4,163	9,465	1,129	1,851	2,219	5,018
181-365 days	1,312	3,331	11,538	27,282	1,312	3,002	7,311	21,550
1-2 years	2,675	4,388	23,513	30,029	1,539	3,417	13,756	16,741
2-3 years	–	1,136	2,566	5,083	–	767	2,233	4,403
Over 3 years	–	–	–	333	–	–	–	–
	11,913	31,587	65,962	88,955	6,718	21,343	45,437	61,998

Amount due to subsidiaries

The Company

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Trade related				
Beijing Huiji Zhiyi Technology Co., Ltd.	6	367	2,599	3,150
Shanghai Xunfei Zhixin Technology Co., Ltd.	–	–	2,134	2,506
	6	367	4,733	5,656
Non-trade related				
Pu'er Kedaxunfei Information Technology Co., Ltd.	–	–	–	30,000
	6	367	4,733	35,656

The balance of non-trade nature are unsecured and repayable on demand which bears interest with 2.6% per annum.

31. PROVISION

The Group

	Warranty provision
	RMB in thousands
At January 1, 2021	7,453
Additional provision	25,862
Utilization	(6,010)
At December 31, 2021	27,305
Additional provision	35,155
Utilization	(13,371)
At December 31, 2022	49,089
Additional provision	31,059
Utilization	(19,113)
At December 31, 2023	61,035
Additional provision	8,744
Utilization	(12,400)
At June 30, 2024	57,379

The Company

	Warranty provision
	RMB in thousands
At January 1, 2021	7,453
Additional provision	25,862
Utilization	(6,010)
At December 31, 2021	27,305
Additional provision	34,255
Utilization	(13,371)
At December 31, 2022	48,189
Additional provision	26,204
Utilization	(17,012)
At December 31, 2023	57,381
Additional provision	11,262
Utilization	(14,380)
At June 30, 2024	54,263

The Group mainly provides one-year to three-year warranties to its customers on its PHC Services, Regional Healthcare Solutions and Hospital Services. The amount of warranty provision is estimated based on district and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

32. CONTRACT LIABILITIES

	The Group				The Company			
	As at December 31,			As at June 30,	As at December 31,			As at June 30,
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
PHC Services	32,865	17,359	10,035	13,074	32,849	16,532	9,361	12,140
Regional Healthcare Solutions	716	405	3,648	1,531	716	405	2,185	1,483
Hospital Services	16,297	9,632	24,851	2,986	16,297	9,632	24,851	2,636
Patient Service	–	–	1,147	9,055	–	-	1,097	6,696
	49,878	27,396	39,681	26,646	49,862	26,569	37,494	22,955

As at January 1, 2021, the Group's and the Company's contract liabilities amounted to RMB55,562,000.

The contract liabilities of the Group and the Company as at January 1, 2021, 2022, 2023 and 2024, amounted of RMB50,106,000, RMB39,377,000, RMB18,073,000 and RMB24,057,000, and RMB50,106,000, RMB39,361,000, RMB17,245,000 and RMB24,057,000 were recognized as revenue during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

33. PAID-IN CAPITAL/SHARE CAPITAL

Paid-in Capital

	Paid-in capital
	RMB in thousands
At January 1, 2021	22,420
Capital injection *(Note i)*	4,540
Conversion into a joint stock company *(Note ii)*	(26,960)
At December 31, 2021, 2022 and 2023 and June 30, 2024	–

Share Capital

	Number of ordinary shares	Share capital
		RMB in thousands
Ordinary shares of RMB1 each		
Authorized and issued		
At January 1, 2021	–	–
Issue of ordinary shares upon conversion into a joint stock company *(Note ii)*	35,000,000	35,000
Issue of ordinary shares *(Note iii)*	1,950,000	1,950
At December 31, 2021	36,950,000	36,950
Issue of ordinary shares *(Note iii)*	50,000	50
Conversion of share premium into share capital *(Note iv)*	74,000,000	74,000
At December 31, 2022	111,000,000	111,000
Issue of ordinary shares *(Note v)*	2,842,683	2,843
At December 31, 2023 and June 30, 2024	113,842,683	113,843

Notes:

i. In August 2021, one of the shareholders of the Company invested capital of RMB4,540,000 into the Company which was credited to the Company's paid-in capital.

ii. In December 2021, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of August 31, 2021, including paid-in capital, other reserves and retained profit, amounting to approximately RMB52,274,000 were converted into 35,000,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium.

iii. In December 2021, the Company issued 2,000,000 ordinary shares at the consideration of RMB400,000,000 to three investors. RMB2,000,000 was credited to the Company's share capital and the remaining balance was credited as share premium. The consideration amounting to RMB390,000,000 and RMB10,000,000 were paid by cash in December 2021 and January 2022, respectively.

iv. On June 29, 2022, the share capital of the Company was increased to RMB111,000,000 by way of conversion of share premium into share capital.

v. In December 2023, the Company issued 2,842,683 ordinary shares at the consideration of RMB210,000,000 to the ultimate holding company and another independent investor. RMB2,842,683 was credited to the Company's share capital and the remaining balance was credited as share premium. The consideration amounting to RMB210,000,000 were paid by cash in December 2023.

34. SHARE-BASED PAYMENT TRANSACTIONS

Restricted shares scheme

To provide incentives to eligible employees and directors of the Group, an employee share incentive plan (the "RSU Plan") was adopted on September 1, 2021. Three employee stock ownership platforms, namely Nanjing Zhengyang Information Technology Partnership (Limited Partnership) ("南京正暘信息科技合夥企業(有限合夥)"), Nanjing Zhenghui Information Technology Partnership (Limited Partnership) ("南京正暉信息科技合夥企業(有限合夥)") and Nanjing Zhengchang Technology Partnership (Limited Partnership ("南京正昶科技合夥企業(有限合夥)") (the "Shareholding Platforms") were set up to indirectly hold RMB3,016,000 register capital of the Company. Eligible employees and directors subscribed for partnership interest of the Shareholding Platforms at a consideration price of RMB2.5 for RMB1 registered capital and indirectly held the incentive shares of the Company.

Details of the restricted shares issued under the RSU Plan are as follows:

Grant date	Amount of registered capital	Grantee	Vesting schedule defined in contract term	Sell back rights/ repurchase rights
	RMB in thousands			
September 1, 2021	3,016	Directors and employees	40% 32 months after grant date; 30% 44 months after grant date; 30% 56 months after grant date with the achievement of certain individual and the Group's performance conditions	Note i

Note i: If the grantees terminate the labor relationship with the Group, the platforms have the right to repurchase the unvested shares from the grantees at original consideration plus interest at market rate of similar period and the vested shares from the grantees at the higher of original consideration plus interest at market rate of similar period and net book value of the Company indirectly held by the grantees.

The following table summarized the movement of the Group's unvested restricted shares:

	Unvested registered capital	Weighted average grant date fair value per registered capital
	in thousands	*RMB*
As at January 1, 2021	–	–
Granted	3,016	108.32
As at December 24, 2021, before conversion to a joint stock company *(Note ii)*	3,016	108.32

Note ii: The Company was converted to a joint stock company on December 24, 2021, 35,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day and following table to reflect the impact of the conversion. One registered paid-in capital before the conversion represented approximately 1.3 shares of the joint stock company.

	Unvested restricted shares	Weighted average grant date fair value per registered shares
	in thousands	*RMB*
As at December 24, 2021 and January 1, 2022	3,915	83.44
Conversion of share premium into share capital *(Note 33)*	7,830	N/A
Forfeited	(351)	27.81
As at December 31, 2022	11,394	27.81
Forteited	(195)	27.81
As at December 31, 2023	11,199	27.81
Forteited	(39)	27.81
As at June 30, 2024	11,160	27.81
As at January 1, 2023	11,394	27.81
Forteited (unaudited)	(137)	27.81
As at June 30, 2023 (Unaudited)	11,257	27.81

Fair value of restricted shares

Discounted cash flow method was used to determine the underlying equity fair value of the Company. The fair value of the restricted shares at grant date was determined by referring the equity fair value of the Company and the purchase price of the restricted shares. The key inputs into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

	At September 1, 2021
Weighted average cost of capital	15.1%
Terminal growth rate	2.0%
Lack of marketability discount	14.0%

The foresaid fair value of restricted shares at date of grant was valued by directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer. During the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 (unaudited) and 2024, the Group has recognized share-based payment expenses of RMB33,106,000, RMB95,372,000, RMB92,517,000, RMB47,576,000 (unaudited) and RMB28,484,000, respectively.

In addition, the Group was also a party to the RSU plan of iFLYTEK whereas the restricted shares may be issued to the eligible grantees of the Group. The equity-settled share-based payment of the restricted shares was measured based on the fair value of iFLYTEK's ordinary shares on the date of grant. During each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2023 (unaudited) and 2024, the Group has recognized share-based payment expenses of RMB1,794,000, RMB1,281,000, RMB814,000, RMB358,000 (unaudited) and RMB148,000, respectively.

35. ACQUISITION OF A SUBSIDIARY

To develop the medical image information technology and distribution channels, the Group entered into an investment agreement with Imaging Union and its investors to subscribed for 51% equity interest of Imaging Union at an aggregate consideration of RMB98,175,000 on July 12, 2021. The transaction has been accounted for as acquisition of business using the acquisition method.

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognized as an expense in the period incurred within the "administrative expenses" line item in the consolidated statements of profit or loss and other comprehensive income.

Assets acquired and liabilities recognized of Imaging Union at the date of acquisition are as below:

	RMB in thousands
Equipment	72
Right-of-use asset	930
Other intangible assets	142,952
Deferred tax assets	3,788
Inventories	170
Trade and other receivables	11,501
Cash and cash equivalents	10,460
Trade and other payables	(1,771)
Lease liability	(809)
Contract liabilities	(47)
Deferred tax liability	(21,367)
Fair value of identifiable net assets acquired	145,879

The receivables acquired (which principally comprised trade and other receivables) with a fair value of RMB11,501,000 at the date of acquisition had gross contractual amounts of RMB11,501,000. The fair value of receivables acquired at the date of acquisition approximated to their gross contractual amounts.

Non-controlling interests

The non-controlling interests (49%) in Imaging Union recognized at the acquisition date was measured by reference to the proportionate share of recognized amounts of net assets of Imaging Union and amounted to RMB71,481,000.

Goodwill arising on acquisition

	RMB in thousands
Consideration transferred	98,175
Plus: non-controlling interests (49% in Imaging Union)	71,481
Less: fair value of identifiable net assets acquired	(145,879)
Goodwill arising on acquisition	23,777

Goodwill arose on the acquisition of Imaging Union because the acquisition included the assembled workforce of Imaging Union and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Imaging Union

	RMB in thousands
Cash consideration paid	65,905
Less: Cash and cash equivalents acquired	(10,460)
	55,445

The outstanding consideration amounting to RMB24,203,000 was settled in February 2023 while the remaining consideration amounting to RMB8,067,000 was settled in April 2024.

Impact of acquisition on the results of the Group

Included in the loss for the year ended December 31, 2021, loss of RMB7,283,000 was attributed by Imaging Union. Revenue for the year ended December 31, 2021 included RMB5,212,000 generated from Imaging Union.

Had the acquisition of Imaging Union been completed on January 1, 2021, revenue for the year ended December 31, 2021 of the Group would have been RMB380,542,000, and loss for the year ended December 31, 2021 would have been RMB93,642,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and loss of the Group had Imaging Union been acquired on January 1, 2021, the directors of the Company calculated amortization of other intangible assets based on the recognized amounts of other intangible assets at the date of the acquisition.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt balance, which includes bank borrowings disclosed in Note 29, amount due to the ultimate holding company disclosed in Note 30 and lease liabilities, net of cash and cash equivalents in Note 27, and equity attributable to owners of the Company, comprising issued share capital, retained profits/accumulated losses and other reserves.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Financial assets				
Amortized cost	669,787	588,969	802,031	816,299
FVTPL	–	85,000	25,000	–
	669,787	673,969	827,031	816,299
Financial liabilities				
Amortized cost	366,514	460,325	484,509	668,552
Lease liabilities	2,487	731	1,551	1,047

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Financial assets				
Amortized cost	644,093	622,272	799,372	802,466
FVTPL	–	45,000	–	–
	644,093	667,272	799,372	802,466
Financial liabilities				
Amortized cost	354,647	432,493	411,737	602,880
Lease liabilities	1,898	530	1,551	1,047

(b) Financial risk management objectives and policies

The Group's major financial instruments include pledged/restricted bank deposits, cash and cash equivalents, financial assets at FVTPL, trade and other receivables, long-term trade receivables, contract assets, amount due from the ultimate holding company, amounts due from fellow subsidiaries, bill, trade and other payables, long-term other payable, amount due to the ultimate holding company, amounts due to related companies, amount due to subsidiaries, bank borrowings and lease liabilities. The Company's major financial instruments include pledged/restricted bank deposits, cash and cash equivalents, financial assets at FVTPL, trade and other receivables, long-term trade receivables, contract assets, amount due from the ultimate holding company, amounts due from fellow subsidiaries, amounts due from subsidiaries, bill, trade and other payables, long-term other payable, amount due to the ultimate holding company, amounts due to related companies, amount due to subsidiaries, bank borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group and the Company are primarily exposed to fair value interest rate risk in relation to pledged/restricted bank deposits (Note 27), fixed-rate bank borrowing (Note 29) and lease liabilities and cash flow interest risk in relation to cash and cash equivalents (Note 27). The Group currently does not have an interest rate hedging policy. The management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arises.

The Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged/restricted bank deposits is insignificant because the current market interest rates are relatively low and stable.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, long-term trade receivables, contract assets, pledged/restricted bank deposits, bank balances, amount due from the ultimate holding company and amounts due from fellow subsidiaries. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables, long-term trade receivables and contract assets (including amount due from the ultimate holding company – trade nature, amounts due from fellow subsidiaries and amounts due from subsidiaries – trade nature)

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of all trade receivables and contract assets as at December 31, 2021, 2022 and 2023, and June 30, 2024.

In addition, the Group performs impairment assessment under ECL model on all trade receivables and contract assets with credit-impaired individually. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining all trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to past due exposure for the customers. As at December 31, 2021, 2022 and 2023, and June 30, 2024 the Group provided credit loss allowance of approximately RMB816,000, RMB5,050,000, RMB8,999,000 and RMB16,405,000, RMB nil, RMB4,017,000, RMB3,682,000 and RMB4,604,000, RMB106,000, RMB245,000, RMB105,000 and RMB213,000, RMB85,000, RMB52,000, RMB98,000 and RMB515,000, and RMB389,000, RMB265,000, RMB580,000 and RMB813,000 for trade receivables, long-term trade receivables, contract assets, amount due from the ultimate holding company and amounts due from fellow subsidiaries, based on collective assessment, and impairment allowance of RMB9,000, RMB378,000, RMB2,730,000 and RMB2,046,000 was assessed individually on trade receivables with gross carrying amount of RMB79,000, RMB3,187,000, RMB18,252,000 and RMB7,796,000, respectively. Details of the quantitative disclosures are set out below in this note.

Other receivables (including amount due from the ultimate holding company – non-trade nature and amounts due from subsidiaries – non-trade nature)

For other receivables, management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there was no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended December 31, 2021, 2022 and 2023 and June 30, 2024, management of the Group assessed the ECL for other receivables was insignificant and thus no loss allowance was recognized.

Pledged/restricted bank deposits and bank balances

The credit risk on pledged/restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit-rating agencies.

The Group assessed 12m ECL for pledged/restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged/restricted bank deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognized.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	All trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets and contract assets, which are subject to ECL assessment:

The Group

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
				As at December 31,			As at June 30,
				2021	2022	2023	2024
				RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Financial assets at amortized cost							
Trade receivables	*23*	Note	Lifetime ECL (collective assessment)	163,081	275,840	491,743	571,332
			Credit-impaired	79	3,187	18,252	7,796
Long-term trade receivables	*21*	Note	Lifetime ECL (collective assessment)	–	103,807	82,877	85,313
Amount due from the ultimate holding company – trade nature	*25*	Note	Lifetime ECL (collective assessment)	9,317	5,237	6,805	9,137

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
				As at December 31,			As at June 30,
				2021	2022	2023	2024
				RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Amounts due from fellow subsidiaries	*25*	Note	Lifetime ECL (collective assessment)	50,188	26,330	59,039	42,953
Contract assets	*24*	Note	Lifetime ECL (collective assessment)	20,411	16,671	8,258	13,912
Other receivables	*23*	Low risk	12m ECL	6,538	15,054	9,509	9,073
Amount due from the ultimate holding company – non-trade nature	*25*	Low risk	12m ECL	315	–	–	–
Pledged/restricted bank deposits	*27*	N/A	12m ECL	7,341	6,258	7,391	13,112
Bank balances	*27*	N/A	12m ECL	434,226	163,016	142,498	101,945

The Company

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
				As at December 31,			As at June 30,
				2021	2022	2023	2024
				RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Financial assets at amortized cost							
Trade receivables	*23*	Note	Lifetime ECL (collective assessment)	160,803	254,956	344,992	395,934
			Credit-impaired	79	3,187	17,779	6,617
Long-term trade receivables	*21*	Note	Lifetime ECL (collective assessment)	–	59,638	30,988	33,392
Amount due from the ultimate holding company – trade nature	*25*	Note	Lifetime ECL (collective assessment)	9,317	5,237	5,494	7,826
Amounts due from fellow subsidiaries	*25*	Note	Lifetime ECL (collective assessment)	50,188	26,330	52,939	37,407

	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount			
				As at December 31,			As at June 30,
				2021	2022	2023	2024
				RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Amounts due from subsidiaries – trade nature	*25*	Note	Lifetime ECL (collective assessment)	1,040	58,472	156,576	170,581
Contract assets	*24*	Note	Lifetime ECL (collective assessment)	20,411	16,671	8,258	13,912
Other receivables	*23*	Low risk	12m ECL	6,402	14,042	8,061	8,032
Amounts due from subsidiaries – non-trade nature	*25*	Low risk	12m ECL	–	62,024	76,556	77,575
Pledged/restricted bank deposits	*27*	N/A	12m ECL	7,341	6,258	7,391	13,112
Bank balances	*27*	N/A	12m ECL	410,202	139,086	108,293	74,071

Note:

For trade receivables, long-term trade receivables, amount due from the ultimate holding company – trade nature, amounts due from fellow subsidiaries, amounts due from subsidiaries – trade nature and contract assets, the Group applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Group determines the ECL on those items on a collective basis, grouped by internal credit rating. The ECL of debtors with credit-impaired with sign of significant financial difficulty of the issuers will be individually assessed by the Group.

Internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its business operation. The following table provides information about the exposure to credit risk for all trade receivables and contract assets which are assessed on a collective basis within lifetime ECL (not credit-impaired) as at December 31, 2021, 2022 and 2023. Debtors with credit-impaired with gross carrying amounts of RMB79,000, RMB3,187,000, RMB18,252,000 and RMB7,796,000 respectively as at December 31, 2021, 2022 and 2023 and June 30, 2024 were assessed individually.

Gross carrying amount

	The Group								The Company							
	2021		2022		2023		As at June 30, 2024		2021		2022		2023		As at June 30, 2024	
	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)	Average loss rate	All trade receivables and contract assets (excluding long-term trade receivables)
		RMB in thousands		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*
Internal credit rating																
Low risk	0.55%	216,132	1.55%	209,856	1.70%	443,669	2.29%	446,173	0.54%	214,910	1.19%	209,735	1.04%	396,280	2.25%	398,627
Doubtful	0.81%	26,865	2.06%	114,222	2.18%	122,176	3.87%	189,060	0.80%	26,849	2.06%	113,596	2.18%	120,711	3.88%	186,263
	0.57%	242,997	1.73%	324,078	1.81%	565,845	2.76%	635,233	0.57%	241,759	1.50%	323,331	1.30%	516,991	2.77%	584,890

	The Group								The Company							
	2021		2022		2023		As at June 30, 2024		2021		2022		2023		As at June 30, 2024	
	Average loss rate	Long-term trade receivables	Average loss rate	Long-term trade receivables	Average loss rate	Long-term trade receivables	Average loss rate	Long-term trade receivables	Average loss rate	Long-term trade receivables	Average loss rate	Long-term trade receivables	Average loss rate	Long-term trade receivables	Average loss rate	Long-term trade receivables
		RMB in thousands		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*		*RMB in thousands*
Internal credit rating																
Low risk	–	–	3.87%	103,807	4.44%	82,877	5.40%	85,313	–	–	2.02%	97,973	1.03%	82,256	5.31%	72,061

The estimated loss rates are estimated based on probability of default, loss given default and are adjusted for forward-looking information that is available without undue cost or effort, such as general economic conditions. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts.

In the opinion of the directors of the Company, all trade receivables and contract assets within Group with low risk at the end of the reporting period which have been past due over 90 days are not considered as in default by considering the counterparties with good reputation and credit records.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables, long-term trade receivables, amount due from the ultimate holding company – trade nature, amounts due from fellow subsidiaries, amounts due from subsidiaries – trade nature and contract assets under the simplified approach.

The Group

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*
As at January 1, 2021	777	–	777
– Transfer to credit-impaired	(4)	4	–
– Impairment losses recognized	177	5	182
– Impairment losses reversed	(691)	–	(691)
New financial assets originated net of those derecognized due to settlement	1,137	–	1,137
As at December 31, 2021	1,396	9	1,405
– Transfer to credit-impaired	(18)	18	–
– Impairment losses recognized	1,798	353	2,151
– Impairment losses reversed	(558)	(3)	(561)
New financial assets originated net of those derecognized due to settlement	7,012	–	7,012
As at December 31, 2022	9,630	377	10,007
– Transfer to credit-impaired	(404)	404	–
– Impairment losses recognised	413	1,969	2,382
– Impairment losses reversed	(1,716)	(20)	(1,736)
New financial assets originated net of those derecognised due to settlement	5,541	–	5,541
As at December 31, 2023	13,464	2,730	16,194
– Transfer to credit-impaired	(5)	5	–
– Impairment losses recognised	5,967	1,206	7,173
– Impairment losses reversed	(311)	(1,895)	(2,206)
New financial assets originated net of those derecognised due to settlement	3,435	–	3,435
As at June 30, 2024	22,550	2,046	24,596

The Company

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*
As at January 1, 2021	777	–	777
– Transfer to credit-impaired	(4)	4	–
– Impairment losses recognized	177	5	182
– Impairment losses reversed	(691)	–	(691)
New financial assets originated net of those derecognized due to settlement	1,117	–	1,117
As at December 31, 2021	1,376	9	1,385
– Transfer to credit-impaired	(18)	18	–
– Impairment losses recognized	1,791	353	2,144
– Impairment losses reversed	(551)	(3)	(554)
New financial assets originated net of those derecognized due to settlement	4,228	–	4,228
As at December 31, 2022	6,826	377	7,203
– Transfer to credit-impaired	(404)	404	–
– Impairment losses recognised	321	1,910	2,231
– Impairment losses reversed	(1,702)	(20)	(1,722)
New financial assets originated net of those derecognised due to settlement	2,096	–	2,096
As at December 31, 2023	7,137	2,671	9,808
– Transfer to credit-impaired	(5)	5	–
– Impairment losses recognised	11,065	1,033	12,098
– Impairment losses reversed	(248)	(1,895)	(2,143)
New financial assets originated net of those derecognised due to settlement	2,537	–	2,537
As at June 30, 2024	20,486	1,814	22,300

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

The Group

	Weighted average effective interest rate	On demand or within 1 year	1-2 years	Total undiscounted cash flows	Carrying amount
		RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At December 31, 2021					
Bill, trade and other payables	–	138,666	–	138,666	138,666
Long-term other payable	–	–	8,067	8,067	8,067
Bank borrowings	3.99%	78,922	–	78,922	77,084
Amount due to the ultimate holding company	–	130,784	–	130,784	130,784
Amounts due to related companies	–	11,913	–	11,913	11,913
Lease liabilities	5.04%	1,838	741	2,579	2,487
		362,123	8,808	370,931	369,001
At December 31, 2022					
Bill, trade and other payables	–	240,842	–	240,842	240,842
Long-term other payable	–	–	8,067	8,067	8,067
Amount due to the ultimate holding company	–	179,829	–	179,829	179,829
Amounts due to related companies	–	31,587	–	31,587	31,587
Lease liabilities	5.04%	741	–	741	731
		452,999	8,067	461,066	461,056
At December 31, 2023					
Bill, trade and other payables	–	297,241	–	297,241	297,241
Bank borrowings	3.14%	89,446	–	89,446	88,000
Amount due to the ultimate holding company	–	33,306	–	33,306	33,306
Amounts due to related companies	–	65,962	–	65,962	65,962
Lease liabilities	5.04%	1,069	534	1,603	1,551
		487,024	534	487,558	486,060
At June 30, 2024					
Bill, trade and other payables	–	323,560	–	323,560	323,560
Bank borrowings	2.93%	176,805	21,023	197,828	194,000
Amount due to the ultimate holding company	–	62,037	–	62,037	62,037
Amounts due to related companies	–	88,955	–	88,955	88,955
Lease liabilities	5.04%	1,069	–	1,069	1,047
		652,426	21,023	673,449	669,599

The Company

	Weighted average effective interest rate	On demand or within 1 year	1-2 years	Total undiscounted cash flows	Carrying amount
		RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At December 31, 2021					
Bill, trade and other payables	–	135,658	–	135,658	135,658
Long-term other payable	–	–	8,067	8,067	8,067
Bank borrowings	3.99%	78,922	–	78,922	77,084
Amount due to the ultimate holding company	–	127,114	–	127,114	127,114
Amounts due to related companies	–	6,718	–	6,718	6,718
Amount due to a subsidiary	–	6	–	6	6
Lease liabilities	5.04%	1,425	534	1,959	1,898
		349,843	8,601	358,444	356,545
At December 31, 2022					
Bill, trade and other payables	–	233,197	–	233,197	233,197
Long-term other payable	–	–	8,067	8,067	8,067
Amount due to the ultimate holding company	–	169,519	–	169,519	169,519
Amounts due to related companies	–	21,343	–	21,343	21,343
Amount due to a subsidiary	–	367	–	367	367
Lease liabilities	5.04%	534	–	534	530
		424,960	8,067	433,027	433,023
At December 31, 2023					
Bill, trade and other payables	–	264,610	–	264,610	264,610
Bank borrowings	2.98%	81,281	–	81,281	80,000
Amount due to the ultimate holding company	–	16,957	–	16,957	16,957
Amounts due to related companies	–	45,437	–	45,437	45,437
Amount due to subsidiaries	–	4,733	–	4,733	4,733
Lease liabilities	5.04%	1,069	534	1,603	1,551
		414,087	534	414,621	413,288
At June 30, 2024					
Bill, trade and other payables	–	282,972	–	282,972	282,972
Bank borrowings	2.80%	158,573	21,023	179,596	176,000
Amount due to the ultimate holding company	–	46,254	–	46,254	46,254
Amounts due to related companies	–	61,998	–	61,998	61,998
Amounts due to subsidiaries					
– trade	–	5,656	–	5,656	5,656
– non-trade	2.6%	30,000	–	30,000	30,000
Lease liabilities	5.04%	1,069	–	1,069	1,047
		586,522	21,023	607,545	603,927

(c) Fair value measurement of financial instruments

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Certain of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

The Group

	Fair value as at					
Financial assets	**December 31, 2021**	**December 31, 2022**	**December 31, 2023**	**June 30, 2024**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*		
Structured bank deposits	–	85,000	25,000	–	Level 2	Discounted cash flows method, estimated based on expected return.

The Company

	Fair value as at					
Financial assets	**December 31, 2021**	**December 31, 2022**	**December 31, 2023**	**June 30, 2024**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*		
Structured bank deposits	–	45,000	–	–	Level 2	Discounted cash flows method, estimated based on expected return.

There were no transfer between Level 1 and 2 during the Track Record Period.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate to their fair values.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Accrued issue costs	Bank borrowings	Non-trade nature amount due to the ultimate holding company	Lease liabilities	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At January 1, 2021	–	–	23,037	711	23,748
Financing cash flow	(844)	75,861	(23,037)	(1,846)	50,134
Interest expenses *(Note 9)*	–	1,223	1,550	122	2,895
Deferred issue cost	1,609	–	–	–	1,609
Acquisition of a subsidiary *(Note 35)*	–	–	–	809	809
New lease entered	–	–	–	675	675
Alteration of lease contract	–	–	–	2,016	2,016
At December 31, 2021	765	77,084	1,550	2,487	81,886
Financing cash flow	(568)	(77,592)	–	(1,838)	(79,998)
Interest expenses *(Note 9)*	–	508	–	82	590
Deferred issue cost	375	–	–	–	375
At December 31, 2022	572	–	1,550	731	2,853
Financing cash flow	(1,354)	86,824	(1,550)	(1,294)	82,626
Interest expenses *(Note 9)*	–	1,176	–	35	1,211
Deferred issue cost	1,127	–	–	–	1,127
New lease entered	–	–	–	2,079	2,079
At December 31, 2023	345	88,000	–	1,551	89,896
Financing cash flow	(2,056)	103,943	–	(534)	101,353
Interest expenses *(Note 9)*	–	2,057	–	30	2,087
Deferred issue cost	2,021	–	–	–	2,021
At June 30, 2024	310	194,000	–	1,047	195,357
At January 1, 2023	572	–	1,550	731	2,853
Financing cash flow (unaudited)	(283)	19,969	–	(741)	18,945
Interest expenses *(Note 9)* (unaudited)	–	31	–	10	41
Deferred issue cost (unaudited)	115	–	–	–	115
At June 30, 2023 (unaudited)	404	20,000	1,550	–	21,954

39. RELATED PARTY TRANSACTIONS

(i) Saved for those disclosed in Note 25 and 30, the relationships between the Company and related parties are as follow:

Name of the related parties	Relationship with the Company
Hefei iFLYTEK Doxent Technology Co., Ltd. (合肥訊飛讀寫科技有限公司)	Fellow subsidiary
Heilongjiang iFLYTEK Information Technology Co., Ltd. (黑龍江訊飛信息科技有限公司)	Fellow subsidiary
Gongqingcheng Qingxun Artificial Intelligence Technology Co., Ltd. (共青城青訊人工智能科技有限公司)	Fellow subsidiary

(ii) Saved for those disclosed in Notes 25 and 30, during the Track Record Period, the Group entered into the following transactions with the related parties:

(a) Sale of products and services

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
iFLYTEK	9,389	7,597	6,360	2,132	4,687
Anhui iFLYTEK New Retail Co., Ltd.	–	–	3,412	1,826	1,180
Wuhu Kexun Aerospace Information Technology Co., Ltd.	–	–	663	233	787
iFLYTEK Zhiyuan Technology Co., Ltd.	13,915	2,561	16,113	9,059	698
Tianjin iFLYTEK Information Technology Co., Ltd	23,294	1,147	1,078	489	491
iFLYTEK (Beijing) Co., Ltd.	3,319	–	2,933	203	213
Xinyu iFLYTEK Information Technology Co., Ltd.	11,223	–	280	140	140
Changzhi Kexun Information Technology Co., Ltd.	26,103	–	–	–	–
iFLYTEK (Shanghai) Technology Co., Ltd.	2,788	875	1,521	–	–
Zhejiang Xunzhi Future Technology Co., Ltd.	–	–	17,532	–	–
Shandong Zixun Information Technology Co., Ltd.	–	–	4,433	4,391	–
Heilongjiang iFLYTEK Information Technology Co., Ltd.	–	–	3,982	3,945	–
Gongqingcheng Qingxun Artificial Intelligence Technology Co., Ltd.	–	–	2,375	–	–
Others	1,718	2,898	1,021	221	106
	91,749	15,078	61,703	22,639	8,302

(b) Purchase of products

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
iFLYTEK	481	939	2,617	1,146	–
Anhui iFLYTEK New Retail Co., Ltd.	–	–	1,595	765	–
Anhui Tingjian technology Co., Ltd.	671	820	280	21	–
Hefei iFLYTEK Doxent Technology Co., Ltd.	160	612	147	95	–
Tianjin iFLYTEK					
Others	820	612	343	101	–
	2,132	2,983	4,982	2,128	–

(c) Receiving of services

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
iFLYTEK	57,060	48,643	40,103	15,540	28,360
iFLYTEK Central China (Wuhan) Co., Ltd.	2,733	6,786	9,176	4,709	4,433
iFLYTEK (Beijing) Co., Ltd.	8,483	9,410	10,134	4,042	3,258
Liaoning iFLYTEK Information Technology Co., Ltd.	–	129	1,595	446	1,700
Zhejiang iFLYTEK Intelligent Technology Co., Ltd.	698	2,049	2,619	1,114	1,624
Sichuan iFLYTEK Super Brain Information Technology Co., Ltd.	23	18	2,781	1,153	1,465
Hefei iFLYTEK Education Development Co., Ltd	–	–	–	–	1,388
Anhui iFLYTEK New Retail Co., Ltd.	–	–	–	–	1,184
Xi'an Xunfei Super Brain Information Technology Co., Ltd.	426	359	261	57	952
iFLYTEK (Shanghai) Technology Co., Ltd.	50	437	3,025	968	758
Kexun Jialian Information Technology Co., Ltd.	893	1,249	1,770	1,692	623

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
iFLYTEK zhiyuan Technology Co., Ltd.	548	431	132	23	617
Nanjing iFLYTEK Smart City Technology Co., Ltd	60	–	233	–	567
iFLYTEK South China Co., Ltd.	–	441	992	580	522
Shenzhen iFLYTEK Smart Technology Co., Ltd	–	517	1,237	–	509
iFLYTEK Zhigu Technology Co., Ltd.	–	–	1,359	533	481
Hunan Xiangxun Future Technology Co., Ltd.	–	–	881	357	389
Wuhan iFLYTEK Xingzhi Technology Co., Ltd.	6,853	–	305	–	206
Others	1,048	2,203	2,736	1,893	3,064
	78,875	72,672	79,339	33,107	52,100

iFLYTEK and its subsidiaries and associates provided various support services to the Group including information technology support service and human resources service. Transactions with related parties were determined based on prices and terms mutually agreed by the relevant parties involved.

(d) Lease arrangements

	As at/Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
iFLYTEK					
Interest expense on lease liabilities	88	57	30	10	30
Lease liabilities	1,551	530	1,551	–	1,047
iFLYTEK (Beijing) Co., Ltd.					
Short-term lease expenses	1,054	799	75	–	244

(e) Interest income/expense

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Interest income					
iFLYTEK	1,479	–	–	–	–
Interest expense					
iFLYTEK	1,550	–	–	–	–

(iii) Compensation of key management personnel

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands (unaudited)*	*RMB in thousands*
Salaries and other benefits	5,299	4,736	4,987	2,403	2,477
Discretionary bonus	1,024	826	1,146	573	608
Retirement benefit scheme contributions	193	189	207	106	119
Equity-settled share-based payments	10,491	31,359	31,353	15,676	9,713
	17,007	37,110	37,693	18,758	12,917

40. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company during the Track Record Period and at the date of this report are set out below:

Name of subsidiary	Place and date of establishment and operation	Issued and fully paid-in capital	Equity interest attributable to the Group: As at December 31, 2021	2022	2023	As at June 30, 2024	At the date of this report	Principal activities	Notes
			%	%	%	%	%		
Directly held									
Beijing Huiji Zhiyi Technology Co., Ltd.	June 5, 2020 PRC	RMB20,280,000	75	75	75	75	75	Medical insurance related services	(a)
Imaging Union	October 26, 2015 PRC	RMB12,448,000	51	51	51	51	51	Digital imaging services	(b),(c)

Name of subsidiary	Place and date of establishment and operation	Issued and fully paid-in capital	Equity interest attributable to the Group: As at December 31, 2021	2022	2023	As at June 30, 2024	At the date of this report	Principal activities	Notes
			%	%	%	%	%		
Yinchuan Xunfei Internet Hospital Co., Ltd. (銀川訊飛互聯網醫院有限公司)	March 16, 2022 PRC	RMB5,500,000	N/A	100	100	100	100	Internet Hospital	(d)
Shanghai Xunfei Zhixin Medical Technology Co., Ltd. (上海訊飛智心醫療科技有限責任公司)	September 28, 2022 PRC	RMB2,000,000	N/A	65	65	65	65	Platform and software services	(d)
Taizhou Xunfei Medical Artificial Intelligence Healthcare Research Institute Co., Ltd. (泰州訊飛醫療人工智能研究院有限公司)	December 11, 2023 PRC	RMB1,000,000	N/A	N/A	95	95	95	Internet hospital	N/A
Anhui Xunfei Medical Intelligence Technology Co., Ltd. (安徽訊飛醫智科技有限公司)	December 13, 2023 PRC	Nil	N/A	N/A	100	100	100	Platform and software services	N/A
Beijing Anke Zhiyuan Medical Technology Co., Ltd. (北京安科智遠醫療科技有限公司)	June 6, 2024 PRC	Nil	N/A	N/A	N/A	100	100	Platform and software services	N/A
Indirectly held									
Lvliang Kedaxunfei Medical Information Technology Co., Ltd.	December 1, 2021 PRC	RMB60,000,000	68	68	68	68	68	Medical insurance related services	(d)
Pu'er Kedaxunfei Information Technology Co., Ltd.	June 9, 2022 PRC	RMB50,000,000	N/A	75	75	75	75	Healthcare AI solutions	(d)
Yibin Imaging Union Cloud Health Technology Co., Ltd. (宜賓影聯雲享醫療科技有限公司)	June 11, 2024 PRC	Nil	N/A	N/A	N/A	51	51	Digital imaging services	N/A

Notes:

(a) The statutory financial statements of this subsidiary were prepared in accordance with the relevant accounting principles and regulation in the PRC and was audited by 安徽皖瑞會計師事務所 for the year ended December 31, 2021 and was audited by 安徽新安會計師事務所 for the year ended December 31, 2022 and was audited by 安徽皖瑞會計師事務所 for the year ended December 31, 2023.

(b) This subsidiary was acquired by the Group on July 12, 2021.

(c) The statutory financial statements of this subsidiary were prepared in accordance with the relevant accounting principles and regulation in the PRC and was audited by 安徽律銘會計師事務所(普通合夥) for the year ended December 31, 2021 and was audited by 容誠會計師事務所(特殊普通合夥) for each of the years ended December 31, 2022 and 2023.

(d) The statutory financial statements of this subsidiary were prepared in accordance with the relevant accounting principles and regulation in the PRC and was audited by 容誠會計師事務所(特殊普通合夥) for each of the years ended December 31, 2022 and 2023.

All subsidiaries now comprising the Group are limited liability companies. All subsidiaries have adopted December 31, as their financial year end date.

None of the subsidiaries had issued any debt securities during the Track Record Period.

41. RETIREMENT BENEFIT SCHEMES

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total costs charged to profit or loss, amounting to RMB11,469,000, RMB17,269,000, RMB18,510,000, RMB8,910,000 and RMB9,785,000 for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 (unaudited) and 2024, respectively, representing contributions paid to the retirement benefits scheme by the Group.

42. RESERVES OF THE COMPANY

Movement in reserves

	Share premium	**Capital reserve**	**Statutory reserve**	**Share-based payments reserve**	**Accumulated losses**	**Total**
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
At January 1, 2021	–	795	4,790	–	51,668	57,253
Loss and total comprehensive expense for the year	–	–	–	–	(72,701)	(72,701)
Conversion into a joint stock company (*Note 33*)	17,274	(931)	(4,790)	–	(19,593)	(8,040)
Issuance of ordinary shares (*Note 33*)	388,050	–	–	–	–	388,050
Equity-settled share-based payments (*Note 34*)	–	6,336	–	33,106	–	39,442
At December 31, 2021	405,324	6,200	–	33,106	(40,626)	404,004

	Share premium	Capital reserve	Statutory reserve	Share-based payments reserve	Accumulated losses	Total
	RMB in thousands	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*	*RMB in thousands*
Loss and total comprehensive expense for the year	–	–	–	–	(160,742)	(160,742)
Issuance of ordinary shares (*Note 33*)	9,950	–	–	–	–	9,950
Conversion of share premium into share capital (*Note 33*)	(74,000)	–	–	–	–	(74,000)
Equity-settled share-based payments (*Note 34*)	–	(73)	–	95,372	–	95,299
At December 31, 2022	341,274	6,127	–	128,478	(201,368)	274,511
Loss and total comprehensive expense for the year	–	–	–	–	(134,271)	(134,271)
Issuance of ordinary shares *(Note 33)*	207,157	–	–	–	–	207,157
Equity-settled share-based payments *(Note 34)*	–	1,130	–	92,517	–	93,647
At December 31, 2023	548,431	7,257	–	220,995	(335,639)	441,044
Loss and total comprehensive expense for the period	–	–	–	–	(125,320)	(125,320)
Equity-settled share-based payments *(Note 34)*	–	116	–	28,484	–	28,600
At June 30, 2024	548,431	7,373	–	249,479	(460,959)	344,324
At 1 January 2023	341,274	6,127	–	128,478	(201,368)	274,511
Loss and total comprehensive expense for the period (unaudited)	–	–	–	–	(89,570)	(89,570)
Equity-settled share-based payments *(Note 34)* (unaudited)	–	1,424	–	47,576	–	49,000
At June 30, 2023 (unaudited)	341,274	7,551	–	176,054	(290,938)	233,941

43. SUBSEQUENT EVENTS

Save for those disclosed in Note 13, there are no other material subsequent events undertaken by the Group after June 30, 2024 and up to the date of issuance of this Historical Financial Information.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2024 and up to the date of this report.

*The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended December 31, 2023 and the six months ended June 30, 2024 (the "**Track Record Period**") (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for information only.*

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is illustration only, and is set out to illustrate the effect of the Global Offering (as defined in this Prospectus) on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2024 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 as derived from Accountants' report set out in Appendix I to this Prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 per Share	
	*Renminbi ("**RMB**") '000*	*RMB'000*	*RMB'000*	*RMB*	*Hong Kong dollars ("**HK$**")*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on the offer price of HK$82.8 Per H Share	268,158	498,804	766,962	6.34	6.87

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 is arrived at after deducting other intangible assets of RMB105,356,000 attributable to owners of the Company and goodwill of RMB23,777,000 from the audited consolidated net assets of RMB397,291,000 attributable to owners of the Company as at June 30, 2024 set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on 7,035,550 H Shares at the offer price of HK$82.8 per H Share, after deduction of the estimated underwriting fees and commissions and other listing related expenses paid or payable by the Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period). It does not take into account of (i) any Share which may be allotted and issued upon the exercise of the over-allotment option, or (ii) under the general mandates for the allotment and issue of shares granted to the directors of the Company.

For the purpose of this unaudited pro forma statement, the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.9237, which was the exchange rate prevailing on the Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 120,878,233 Shares were in issue assuming that the Global Offering had been completed on June 30, 2024 and it does not take into account of (i) any Share which may be allotted and issued upon the exercise of the over-allotment option, or (ii) under the general mandates for the allotment and issue of shares granted to the directors of the Company.

(4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into HK$ at the rate of RMB1 to HK$1.0826, which was the exchange rate prevailing on the Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to HK$, or vice versa, at that rate or any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2024 to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Xunfei Healthcare Technology Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xunfei Healthcare Technology Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at June 30, 2024 and related notes as set out on pages II-1 to II-2 of Appendix II to the Prospectus issued by the Company dated December 18, 2024 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at June 30, 2024 as if the proposed Global Offering had taken place at June 30, 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended December 31, 2023 and the six months ended June 30, 2024, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 18, 2024

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and all of which are subject to change (possibly with retroactive effect) and does not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Enterprise Income Tax

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "EIT Laws"), resident enterprise which is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual management organization is inside the PRC shall pay enterprise income tax for their income derived from both inside and outside the PRC, calculated at enterprise income tax rate of 25%.

Value-added Tax

According to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32)《(財政部、國家稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)), which was jointly promulgated by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and effective since May 1, 2018, the value-added tax rates, deduction rate, export rebate rate were adjusted as follow:

(1) Where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable tax rates of 17% and 11% are adjusted to 16% and 10% respectively;

(2) Where a taxpayer purchases agricultural products, the previous applicable deduction rate of 11% is adjusted to 10%;

(3) Where a taxpayer purchases agricultural products for production, sales, or consignment processing, to which the tax rate of 16% is applicable, the input tax amount shall be calculated at the deduction rate of 12%;

(4) For the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%. For the export goods and cross-border taxable activities to which a tax rate of 11% was originally applicable and the export rebate rate was 11%, the export rebate rate is adjusted to 10%;

(5) For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by foreign trade enterprises before July 31, 2018, if value-added tax has been levied at the rate not adjusted at the time of purchase, the export rebate rate not adjusted shall be applicable; if the value-added tax has been levied at the adjusted tax rate at the time of purchase, the adjusted export tax rebate rate shall be applicable. For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by production enterprises before July 31, 2018, the export rebate rate not adjusted shall be applicable. The execution time to adjust the tax rebates rate of export goods and the time to export goods is made based on the date specified on export goods custom declaration, the execution time to adjust the tax rebates rate of cross-border taxable activities and the time to sell cross-border taxable activities is made based on the date specified on the export invoice.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Cai Shui Bu Shui Wu Zong Ju Hai Guan Zong Shu [2019] No. 39) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)) promulgated by Ministry of Finance, the State Administration of Taxation and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

Taxation on Dividends

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "IIT Law"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation (the "**SAT**") on June 28, 2011, for a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its foreign individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau). Domestic non-foreign-invested enterprise that issue shares in Hong Kong generally may withhold individual income tax at the preferential rate of 10% when paying dividends to overseas resident individual shareholders. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to regulations provisions, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities. Where the individuals are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses and no applications are needed in such cases. Where the dividend receiving individuals are residents of countries which have not established tax treaties with China or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

In accordance with the EIT Laws, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular on Issues Relating to the Withholding and Remitting of Enterprise Income Tax on Dividends Distributed by PRC Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that, when PRC-resident enterprises pay dividends of 2008 and thereafter, such PRC-resident enterprise must withhold enterprise income tax at a rate of 10% in respect of dividends paid to overseas non-resident enterprise shareholders which hold H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**"), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by such PRC-resident enterprise. The Fifth Protocol of the

Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Non-PRC resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

According to the IIT Law, the gains realized from the disposal of equity interests in PRC resident enterprise is subject to individual income tax rate of 20%.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and the SAT on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

Income tax

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the SAT on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

In accordance with the EIT Laws, a non-PRC resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-PRC resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

On October 31, 2014 and November 5, 2016, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by PRC enterprise investors. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited (the "**CSDC**"), which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the chapter **Regulatory Overview** of the prospectus.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the "**SAFE**"), with the authorization of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**"), which was implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies, and pursuant to the latest amendment to the Foreign Exchange Control Regulations, the PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE and came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

In accordance with the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular No. 21**"), which was effect from 13 May 2013, amended on 10 October, 2018 and partially abolished on 30 December, 2019. The SAFE Circular 21 specifies that the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and implemented on June 9, 2016 and latest amended on December 4, 2023, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

On 23 October, 2019, the SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular No. 28**"), which became effective on the same date and latest amended on December 4, 2023. The SAFE Circular No. 28 canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see section entitled "Regulatory Overview" in this prospectus.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 revision) (《中華人民共和國立法法(2023年修訂)》) (the "**Legislation Law**"), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "Supreme People's Court") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment or an order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (2023 revision) (《中華人民共和國民事訴訟法(2023年修訂)》) (the "Civil Procedure Law"), which was adopted in 1991 and amended in 2007, 2012, 2017 and 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the

PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively and the latest revision of which was implemented on July 1, 2024;

- Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures") which were promulgated by the CSRC on February 17, 2023, came into effect on March 31, 2023, applicable to the overseas share subscription and listing of joint stock limited companies.

Set out below is a summary of the major provisions of the Company Law and the Trial Measures applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Where any laws stipulate that a joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies, such requirements shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters shall pay the subscription monies in full for the shares they have subscribed for before the company is incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must authorize a representative to apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company shall issue registered share.

Under the Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company may, according to the articles of association, issue the classified shares, which have different rights from those of the common shares.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law.

Under the Company Law, a joint stock limited company shall make a register of shareholders and keep it in the company, stating the following matters:

- the name and domicile of each shareholder;
- the class and number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder if the shares are issued in paper form; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. Where a company raises shares from the public, it shall register with the security regulatory organization under the State Council and announce the prospectus. After the new share issuance has been paid up, an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' meeting.

- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper or on the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;

- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;

- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

- the right to inspect and copy the company's articles of association, share register, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;

- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' meeting exercises the following principal powers:

- to elect or remove the directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

- to examine and approve reports of the board of directors;

- to examine and approve reports of the board of supervisors;

- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;

- to decide on any increase or reduction of the company's registered capital;

- to decide on the issue of bonds by the company;

- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

- to amend the company's articles of association; and

- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, except for class shareholders. Shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors. If the board of directors has more than three members, it may include an employees' representative of the company. Where a company has 300 or more employees, the board of directors shall include the employees' representatives of the company unless the board of supervisors has been established and includes employees' representatives of the company according to law. The employees' representatives in the board of directors shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum. If a director resigns, he shall notify the company in writing and the resignation shall take effect on the date of receipt of the notification by the company; however, if the circumstances stipulated in the preceding paragraph exist, the director shall continue to perform his duties.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' meetings and report on its work to the shareholders' meetings;
- to implement the resolutions passed in shareholders' meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association or authorized by the shareholders' meeting.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint the vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, and in case of a suspended sentence, not more than two years have elapsed since the date of expiry of the probationary period;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order for closure; or
- a person who is liable for a relatively large amount of debts that are overdue and being listed as a dishonest person subject to enforcement by the people's court.

Board of Supervisors

A joint stock limited company has a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;

- to initiate proposals for resolutions to shareholders' meeting;

- to initiate proceedings against directors and senior management;

- other powers specified in the articles of association; and

- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in this Law. It may not have a board of supervisors or supervisors. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by the Company Law.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors.

The manager shall be responsible to the board of directors and shall exercise his duties and powers in accordance with the provisions of the company's articles of association or the authorization of the board of directors. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- embezzlement of company properties and misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- utilising power to accept bribe or accept other illegal income;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. When utilising reserve funds to make up for a company's losses, the discretionary reserve fund and statutory reserve fund should be used first; if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. Upon the conversion of statutory common reserve fund into increasing the registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting, board of directors or board of supervisers in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, board of directors or board of supervisers conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) or (ii) above and in case that no assets have been distributed to shareholders, it may carry on its existence by amending its articles of association or by a resolution of shareholders' meeting. The amendment of the articles of association or by a resolution of shareholders' meeting in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The liquidation committee shall be composed of directors, unless the company's articles of association provide otherwise or the shareholders' meeting resolves to elect someone else. If the liquidation obligator fails to fulfill its liquidation obligations in a timely manner and causes losses to the company or creditors, it shall be liable for compensation. If a liquidation committee is not established within the stipulated period or if the liquidation is not carried out after the establishment of the liquidation committee, the interested parties may apply with the people's court for setting up a liquidation committee with designated relevant personnel to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to distribute the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a bankruptcy liquidation.

Following the acceptance of application for bankruptcy by the People's Court, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting or the people's court for verification, and the report shall be submitted to the registration authority of the company in order to cancel the company's registration. When performing the duties in relation to the liquidation, members of the liquidation committee shall bear the duties of loyalty and diligence.

If members of the liquidation committee are reluctant in performing their liquidation duties and cause losses to the company, they shall be liable for compensation. A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council. to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, shares in issue prior to a public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee or a audit committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholder's annual meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from January 1, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix mainly provides investors with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to investors.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank pari passu with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the laws, regulations and the Articles of Association, the Company may increase the capital by the following ways upon approval of special resolutions at the Shareholders' general meeting:

(1) public issuance of shares;

(2) non-public issuance of shares;

(3) distribution of bonus shares to existing shareholders;

(4) capitalization of common reverse fund;

(5) other means stipulated by laws and administrative regulations or approved by the government authorities.

The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital. The Company shall notify its creditors within ten days from the date of the Company's resolution to reduce registered capital being passed and shall publish an announcement on newspapers and the website of Hong Kong Stock Exchange at (www.hkexnews.hk) within thirty days from the date of such resolution being passed. A creditor shall have the right, within 30 days upon receipt of the notice from the Company or, in the case of a creditor who does not receive such notice, within 45 days of the date of the announcement, to require the Company to repay its debt or to provide corresponding guarantee for such debt.

Repurchase of Shares

The Company may, in accordance with the requirements under laws, administrative regulations, the Listing Rules of Hong Kong Stock Exchange, departmental rules or the Articles of Association, and subject to approval by the relevant regulatory authorities of the State, repurchase its shares under the following circumstances:

(1) reducing the Company's registered capital;

(2) merging with other companies holding our shares;

(3) using the shares as an employee stock ownership plan or equity incentive plan;

(4) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at the Shareholders' general meeting upon their request;

(5) use of shares for conversion of convertible corporate bonds issued by the Company;

(6) necessary for the Company to maintain its value and protect the interests of the shareholders;

A resolution shall be passed at the Shareholders' general meeting when the Company is to repurchase its own shares under the circumstances (1) and (2) set out above. In case of the circumstances stipulated in (3), (5) and (6) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting in accordance with the provisions of the Articles of Association or the authorization of the Shareholders' general meeting. After the Company has repurchased its own shares in accordance with the circumstances (1) to (6) set out above, the shares so repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (1) above), or shall be transferred or canceled within six months (under the circumstances set out in (2) and (4) above). If the Company repurchases its shares under the circumstances set out in (3), (5) and (6) above, the total number of shares held by the Company shall not exceed ten percent of the total issued shares of the Company, and such shares shall be transferred or canceled within three years. If the share repurchase is made under the circumstances stipulated in (3), (5) or (6) above, it shall be conducted by way of open centralized trading.

The Company may repurchase its shares in one of the following ways:

(1) open centralized trading;

(2) other ways recognized by laws, administrative regulations, the CSRC and other stock exchanges of the place where the Company's shares are listed, and shall comply with the provisions of applicable laws, administrative regulations, departmental rules and securities regulatory rules of the place where the Company's shares are listed.

Transfer of Shares

Shares of the Company held by the founders shall not be transferred within one year from the date of incorporation of the Company. Shares of the Company that were issued prior to a public issue shall not be transferred within one year from the date on which shares of the Company are listed and traded on the stock exchange.

The Directors, Supervisors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The shares transferrable by them during each year of their tenures shall not exceed 25% of their total holdings of shares in the Company. The shares in the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. Where the listing rules of the place where the Company's shares are listed provide otherwise in respect of the restrictions on the transfer of overseas listed shares, such rules shall prevail.

All transfers of H Shares shall be effected by instruments of transfer in writing in a general or common form or in any other form acceptable to the Board of Directors, including the standard transfer form or form of transfer specified by the Hong Kong Stock Exchange from time to time. The instruments of transfer may be signed by hand only or (where the transferor or transferee is a corporation) stamped with the corporation's chop. If the transferor or transferee is a recognized clearing house as defined by the relevant provisions that come into effect from time to time according to the laws of Hong Kong or its nominee, the instruments of transfer may be signed by hand or in a machine imprinted format. All instruments of transfer shall be deposited with the legal address of the Company or such places as the Board of Directors may designate from time to time.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

The Company shall establish a register of Shareholders based on the certificates provided by the securities registration authority and the register of Shareholders is sufficient evidence to prove that the Shareholders hold the shares of the Company. The original register of Shareholders of H Shares listed in Hong Kong is kept in Hong Kong and is available for inspection by Shareholders, but the Company may suspend the registration of Shareholders in accordance with applicable laws and regulations and the securities regulatory rules of the place where the Company's Shares are listed (if necessary). Shareholders shall enjoy rights and assume obligations according to the class and number of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Shareholders of the Company enjoy the following rights:

(1) to receive dividends and other forms of interest distributions in proportion to the shares they hold;

(2) to file a petition of, to convene, hold and attend the Shareholders' general meetings either in person or by proxy and exercise their corresponding voting right according to laws;

(3) to supervise, present suggestions on or make inquiries about the business operations of the Company;

(4) to transfer, donate or pledge their shares in accordance with laws, administrative regulations and the Articles of Association;

(5) to inspect the Articles of Association, register of Shareholders, counterfoils of corporate bonds, minutes of the Shareholders' general meetings, resolutions of the Board meetings, resolutions of the meetings of Board of Supervisors, financial and accounting reports;

(6) to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;

(7) to request the Company to purchase their shares for the Shareholders who object to the Company's resolution on merger or division made by the Shareholders' general meetings; and

(8) to enjoy other rights stipulated by laws, administrative regulations, departmental rules, the Articles of Association or securities regulatory rules of the place where the Company's shares are listed.

In the event that any resolution of the Shareholders' general meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People's Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders' general meeting or the Board meeting violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People's Court to overturn the resolution within 60 days upon the resolution was adopted.

Shareholders of the Company shall assume the following obligations:

(1) to abide by the laws, administrative regulations and the Articles of Association;

(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(3) not to withdraw the shares unless required by the laws and administrative regulations;

(4) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company;

(5) to keep business secrets of the Company;

(6) other obligations imposed by the laws, administrative regulations and the Articles of Association.

If Shareholders of the Company abuse their rights and cause losses to the Company or other shareholders, they shall be liable for compensation in accordance with the law. If Shareholders of the Company abuse the independent status of the Company as a legal person and the limited liability of the Shareholders, evade debts and seriously damage the interests of the creditors of the Company, they shall be jointly and severally liable for the Company's debts.

General requirements of the Shareholders' general meetings

The Shareholders' general meetings serve as the Company's authority and exercise the following powers in accordance with the law:

(1) to determine the Company's business policies and investment plans;

(2) to elect and replace Directors and Supervisors who are not employee representatives, and make decisions on remuneration matters for Directors and Supervisors;

(3) to consider and approve the reports of the Board of Directors;

(4) to consider and approve the reports of the Board of Supervisors;

(5) to consider and approve the Company's annual financial budgets and final accounts;

(6) to consider and approve the Company's profit distribution plans and loss compensation plans;

(7) to make resolutions regarding the increase or decrease of the Company's registered capital;

(8) to make resolutions regarding the issuance of securities or corporate bonds by the Company;

(9) to make resolutions on Company merger, division, dissolution, liquidation or change of Company form;

(10) to amend the Articles of Association;

(11) to decide on matters in relation to the repurchase of shares of the Company under the circumstances set out in items (1) and (2) of Article 24 of the Articles of Association;

(12) to make resolutions on the Company's engagement and dismissal of accounting firms;

(13) to review and approve the guarantee matters specified in Article 42;

(14) to consider the Company's purchase and sale of major assets within one year exceeding 30% of the Company's latest audited total assets;

(15) to review and approve changes in the use of raised funds;

(16) to review equity incentive plans and employee shareholding plans;

(17) to review other matters that shall be determined by the Shareholders' general meetings as stipulated in laws, administrative regulations, departmental rules, Articles of Association or securities regulatory rules of the place where the Company's shares are listed.

The following external guarantees of the Company are required to be reviewed and approved through the Shareholders' general meetings:

(1) any guarantee provided after the total amount of external guarantees provided by the Company and its holding subsidiaries exceeds 50% of the Company's latest audited net assets;

(2) any guarantee provided after the total amount of external guarantees provided by the Company and its holding subsidiaries exceeds 30% of the Company's latest audited total assets;

(3) guarantees where the cumulative amount of guarantees in the last twelve months exceeds 30% of the Company's latest audited total assets;

(4) the data in the latest financial statement of the guaranteed object shows that the gearing ratio exceeds 70%;

(5) the amount from a single guarantee exceeds 10% of that of the latest audited net assets;

(6) guarantees provided to Shareholders, actual controllers, and their related parties;

(7) other guarantee situations that are stipulated in laws, administrative regulations, rules, securities regulatory rules of the place where the Company's shares are listed, or other normative documents that shall be reviewed by the Shareholders' general meetings.

The guarantee in item (3) of the preceding paragraph shall be approved by more than two-thirds of the voting rights held by Shareholders present at the meeting.

If the Company's directors, general managers, other senior managers or other personnel fail to perform the external guarantee review procedures as required and sign a guarantee contract without authorization, the parties shall be held accountable.

The Shareholders' general meetings are divided into the Annual General Meeting and the Extraordinary General meeting. The Annual General Meeting is held once a year and shall be held within 6 months after the end of the previous fiscal year.

If any of the following circumstances occurs, the Company shall convene an Extraordinary General Meeting within 2 months from the date of occurrence:

(1) when the number of Directors is less than 2/3 of the number stipulated in the Company Law or the Articles of Association;

(2) when the Company's uncompensated losses reach 1/3 of the total paid-in share capital;

(3) when requested by Shareholders individually or collectively holding more than 10% of the Company's shares;

(4) when the Board of Directors deems it necessary;

(5) when the Board of Supervisors proposes to convene;

(6) other circumstances stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

Convening of the Shareholders' general meeting

If a Shareholder requests to convene an Extraordinary General Meeting, it shall be processed in accordance with the following procedures:

Shareholders individually or collectively holding more than 10% of the Company's shares have the right to request the Board of Directors to convene an Extraordinary General Meeting, and shall submit the request to the Board of Directors in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether it agrees or disagrees with convening an Extraordinary General Meeting within 10 days after receiving the request.

If the Board of Directors agrees to convene an Extraordinary General Meeting, it shall issue a notice to convene the Shareholders' general meeting within 5 days after making the resolution of the Board of Directors. Any changes to the original request in the notice must obtain the consent of the relevant Shareholders. If the Board of Directors does not agree to convene an Extraordinary General Meeting, or fails to provide feedback within 10 days after receiving the request, Shareholders individually or collectively holding more than 10% of the Company's shares have the right to propose to the Board of Supervisors to convene an Extraordinary General Meeting and shall submit a written request to the Board of Supervisors to make the request.

If the Board of Supervisors agrees to convene an Extraordinary General Meeting, it shall issue a notice to convene a Shareholders' general meeting within 5 days of receiving the request. Any changes to the original request in the notice must be approved by the relevant Shareholders. If the board of Supervisors fails to issue a notice of a Shareholders' general meeting within the prescribed period, it shall be deemed that the Board of Supervisors has not convened and presided over a Shareholders' general meeting. Shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting on their own.

If the Board of Supervisors or Shareholders decide to convene a Shareholders' general meeting on their own, they must notify the Board of Directors in writing. If the securities regulatory rules of the place where the Company's shares are listed have other provisions, such provisions shall prevail to the extent that they do not violate domestic laws, administrative regulations and the Articles of Association. Before the resolution of the Shareholders' general meeting is announced, the shareholding ratio of the convening Shareholders shall not be less than 10%. The Board of Supervisors or convening Shareholders shall issue notice of a Shareholders' general meeting and announce the resolutions of the Shareholders' general meeting. If the securities regulatory rules of the place where the Company's shares are listed have other provisions, such provisions shall prevail to the extent that they do not violate domestic laws, administrative regulations and the Articles of Association.

For a Shareholders' general meeting convened by the Board of Supervisors or Shareholders themselves, the necessary expenses for the meeting shall be borne by the Company.

A Shareholders' general meeting is chaired by the chairman of the Board of Directors. When the chairman of the Board of Directors is unable or fails to perform his/her duties, a director jointly elected by more than half of the Directors shall preside over the meeting.

A Shareholders' general meeting convened by the Board of Supervisors shall be presided over by the chairman of the Board of Supervisors. When the chairman of the Board of Supervisors is unable or fails to perform his/her duties, a Supervisor jointly elected by more than half of the Supervisors shall preside over the meeting. A Shareholders' general meeting convened by the Shareholders themselves shall be presided over by a representative elected by the convener. When convening a Shareholders' general meeting, if the host of the meeting violates the rules of procedure and makes it impossible to continue the Shareholders' general meeting, with the consent of more than half of the Shareholders present at the Shareholders' general meeting with voting rights, the Shareholders' general meeting may elect one person to serve as the host of the meeting and continue the meeting.

Notice of the Shareholders' general meeting

The convener will notify Shareholders by notice 21 days or 20 working days (whichever is longer) before the convening of the Annual General Meeting, and Shareholders will be notified by notice 15 days before the convening of the Extraordinary General Meeting. When calculating the starting period, the Company should not include the date of the meeting.

The notice of a Shareholders' general meeting should include the following:

(1) the time, place, and duration of the meeting;

(2) the matters and proposals submitted to the meeting for consideration;

(3) an explanation in obvious words: All Shareholders have the right to attend the Shareholders' general meeting and may entrust a proxy in writing to attend the meeting and participate in voting. The Shareholder proxy does not have to be a Shareholder of the Company;

(4) the equity registration date of Shareholders entitled to attend the Shareholders' general meeting;

(5) the name and telephone number of the default contact person as to the meeting affairs;

(6) the voting time and voting procedures online or by other means.

The notice and supplementary notice of the Shareholders' general meeting shall fully and completely disclose all the specific contents of all proposals. If the matters to be discussed require the independent non-executive directors to express their opinions, the opinions and reasons of the independent non-executive directors should be disclosed at the same time when issuing the notice and supplementary notice of the Shareholders' general meeting.

Proposals for the Shareholders' general meeting

When the Company convenes a Shareholders' general meeting, the Board of Directors, Board of Supervisors and Shareholders individually or jointly holding more than 3% of the Company's shares have the right to submit proposals to the Company. Shareholders who individually or collectively hold more than 3% of the Company's shares may put forward temporary proposals and submit them in writing to the convener 10 days before the Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting within 2 days after receiving the proposal and announce the contents of the temporary proposal. If the Shareholders' general meeting must be postponed due to the issuance of a supplementary notice of the Shareholders' general meeting in accordance with the securities regulatory rules of the place where the Company's shares are listed, the convening of the Shareholders' general meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

Proxies at the Shareholders' general meeting

Shareholders may attend a Shareholders' general meeting in person or entrust a proxy to attend and vote on their behalf.

If an individual Shareholder attends the meeting in person, he or she should present his/her identity card or other valid certificate or certificate that can indicate his/her identity, or proof of shareholding; if he/she entrusts a proxy to attend the meeting, he/she should present his/her valid identity card or the Shareholder's power of attorney.

Legal person Shareholders shall be represented by their legal representative, or an agent entrusted by the legal representative to attend the meeting. If the legal representative attends the meeting, he/she shall present his/her identity card and a valid certificate that proves his/her qualifications as a legal representative; if an agent is appointed to attend the meeting, the agent shall present his/her identity card and a certificate issued by the legal representative of the legal person shareholder unit in accordance with the law and written power of attorney (except that the Shareholder is an agent of a recognized clearing house (hereinafter referred to as the "recognized clearing house") as defined in the relevant regulations of Hong Kong law in effect from time to time or the securities regulatory rules of the place where the Company's shares are listed).

If the Shareholder is a recognized clearing house (or its nominee), the recognized clearing house may authorize one or more persons it deems appropriate to act as its representative at any Shareholders' general meeting or any meeting of creditors; however, if more than one person is authorized, the authorization should state the number and type of Shares covered by this authorization for each such person. A person so authorized may exercise rights on behalf of a recognized clearing house as if the person were an individual shareholder of the Company.

If the power of attorney for proxy voting is signed by another person authorized by the principal, the power of attorney or other authorization documents authorizing the signing shall be notarized. The notarized power of attorney or other authorization documents, and the voting proxy form must be kept at the Company's domicile or other place specified in the notice convening the meeting.

If the principal is a legal person, its legal representative or a person authorized by resolution of the Board of Directors or other decision-making body shall attend the Company's Shareholders' general meeting as a representative.

The power of attorney issued by a Shareholder to entrust another person to attend the Shareholders' general meeting shall specify the following contents:

(1) the name of the agent;

(2) whether it has voting rights;

(3) instructions to vote in favor, against or abstain from voting for each matter included in the agenda of the Shareholders' general meeting;

(4) the date of issuance and validity period of the power of attorney;

(5) signature (or seal) of the principal. If the principal is a legal person Shareholder, the seal of the legal person entity shall be affixed.

The power of attorney should indicate whether the Shareholder's agent can vote according to his/her own will if the Shareholder does not give specific instructions. If the power of attorney does not provide specific instructions, it is deemed that the Shareholder's agent can vote according to his/her own wishes.

Voting at the Shareholders' general meeting

Resolutions of the Shareholders' general meeting are divided into ordinary resolutions and special resolutions. Ordinary resolutions made by the Shareholders' general meeting must be passed by more than half of the voting rights held by the Shareholders (including Shareholders' proxies) present at the Shareholders' general meeting. Special resolutions made by the Shareholders' general meeting must be passed by more than two-thirds of the voting rights held by the Shareholders (including shareholders' proxies) present at the Shareholders' general meeting.

Shareholders (including the Shareholders' proxies) exercise their voting rights based on the number of voting shares they represent, and each Share is entitled to one vote. When voting at a meeting, a shareholder (including its proxy) entitled to two or more votes need not cast all his/her votes in the same way. When the Shareholders' general meeting considers major matters affecting the interests of small and medium-sized investors, the votes of small and medium-sized investors shall be counted separately. The results of individual vote counting should be disclosed to the public in a timely manner. The Company's Shares held by the company have no voting rights, and such Shares are not included in the total number of Shares with voting rights present at the Shareholders' general meeting.

When the Shareholders' general meeting considers relevant related-party transactions, related shareholders should recuse themselves from voting and the number of shares with voting rights they represent will not be counted in the total number of valid votes; the announcement of the resolution of the Shareholders' general meeting should fully disclose the voting status of non-related Shareholders.

According to applicable laws and regulations and the Listing Rules of the Hong Kong Stock Exchange, if any Shareholder is required to restrain from voting on a certain resolution, or any Shareholder is restricted from voting in support of (or against) a certain resolution, such Shareholder votes casted by or on behalf of the Company in violation of relevant regulations or restrictions shall not be counted in the total number of Shares with voting rights.

If a Shareholder purchases the Company's voting shares in violation of the provisions of paragraphs 1 and 2 of Article 63 of the Securities Law, the Shares exceeding the prescribed proportion shall not exercise voting rights within thirty-six months after the purchase. And it is not included in the total number of Shares with voting rights present at the Shareholders' general meeting.

The Board of Directors, independent non-executive directors and Shareholders holding more than 1% of the voting shares or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC may solicit shareholder voting rights. When soliciting Shareholder voting rights, specific voting intentions and other information must be fully disclosed to the persons being solicited. It is prohibited to collect voting rights from shareholders through paid or disguised payment methods. Except for statutory conditions, the Company may not impose minimum shareholding ratio restrictions on the solicitation of voting rights.

The following matters shall be passed by ordinary resolutions at the Shareholders' general meeting:

(1) work reports of the Board of Directors and the Board of Supervisors;

(2) the profit distribution plans, and loss compensation plans drawn up by the Board of Directors;

(3) the appointment and removal of members of the Board of Directors and the Board of Supervisors who are not represented by employee representatives, and the remuneration and payment methods of members of the Board of Directors and the Board of Supervisors;

(4) the Company's annual budgets and final accounts;

(5) the annual report of the Company;

(6) matters other than those required by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association should be passed by special resolutions.

The following matters shall be passed by special resolutions at the Shareholders' general meeting :

(1) the Company increases or decreases its registered capital;

(2) the division, spin-off, merger, dissolution and liquidation of the Company or the change of Company form;

(3) modification of the Articles of Association;

(4) the Company purchases or sells major assets within one year or the amount of guarantee exceeds 30% of the Company's latest audited total assets;

(5) equity incentive plans;

(6) adjustment of profit distribution policy;

(7) other matters that are stipulated in laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association, as well as the Shareholders' general meeting determines by ordinary resolution that they will have a significant impact on the Company and need to be passed by special resolutions.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors of the Company may include executive directors, non-executive directors and independent non-executive directors. Non-executive directors refer to directors who do not hold operational management positions in the Company. The terms of office, nomination and election procedures, powers and other related matters of independent non-executive directors shall be implemented in accordance with the relevant regulations of the law, the China Securities Regulatory Commission, and the stock exchange where the Company is listed.

Directors are elected or replaced by the Shareholders' general meeting and may be removed from office by the Shareholders' general meeting before the expiration of their term. The term of Directors is three years. Upon expiration of the term, Directors may be re-elected in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed.

The term of office of a Director shall be calculated from the date of office until the expiration of the term of the current Board of Directors. If a Director's term of office expires and is not re-elected in time, until the re-elected Director takes office, the original Director shall still perform his/her duties as a Director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association. Directors may concurrently serve as general managers or other senior managers, but the total number of Directors who concurrently hold the positions of general manager or other senior managers shall not exceed 1/2 of the total number of Directors of the Company.

Directors may resign before the expiration of their term of office. Directors who resign should submit a written resignation report to the Board of Directors. The Board of Directors will disclose the relevant situation within 2 days. If the resignation of a Director causes the Company's Board of Directors to fall below the legal minimum number or the resignation of an independent non-executive director results in no accounting professionals among the independent non-executive directors, before the re-elected Director takes office, the original Director shall still comply with laws, administrative regulations, Perform the duties of a Director in accordance with departmental regulations and Articles of Association. A Director's resignation report will not take effect until the next Director fills the vacancy created by his/her resignation.

Chairman of the Board

The Board of Directors has one Chairman. The Chairman of the Board is elected by a majority of all directors.

The chairman of the Board exercises the following powers:

(1) to preside over Shareholders' general meetings and convene and preside over Board meetings;

(2) to supervise and inspect the implementation of board resolutions;

(3) to sign documents of the Board of Directors and other documents that should be signed by the Company's legal representative;

(4) to exercise the powers of the legal representative;

(5) in the event of force majeure emergencies such as severe natural disasters, to exercise special powers to handle Company affairs in compliance with legal provisions and the Company's interests, and report to the Company's directors and Shareholders' general meeting afterwards;

(6) other powers granted by the Board of Directors.

If the chairman of the Board is unable or fails to perform his/her duties, more than half of the Directors shall jointly elect a Director to perform such duties.

The Board

The Company has a Board of Directors, which consists of 7 Directors.

The Board of Directors is responsible for the Shareholders' general meetings and exercises the following powers:

(1) to convene the Shareholders' general meetings and report work to the Shareholders' general meetings;

(2) to implement the resolutions of the Shareholders' general meeting;

(3) to determine the Company's business plans and investment plans;

(4) to formulate the Company's annual financial budgets and final accounts;

(5) to formulate the Company's profit distribution plans and loss compensation plans;

(6) to formulate plans for the Company to increase or reduce its registered capital, issue bonds or other securities, and to be listed;

(7) to formulate plans for the Company's major acquisitions, the Company's acquisition of the Company's shares due to items (1) and (2) of Article 24 of the Articles of Association, or merger, division, dissolution and change of Company form;

(8) to decide, on the premise of complying with the securities regulatory rules of the place where the Company's shares are listed, that the Company will acquire the shares of the Company due to the circumstances specified in items (3), (5) and (6) of Article 24 of the Articles of Association;

(9) to decide that the Company will purchase or sell major assets (including but not limited to land, houses, equipment, production lines, equity), but the Company will purchase or sell major assets (including but not limited to land, houses, equipment, production lines, equity) in which the cumulative amount exceeds 30% of the Company's latest audited total assets must be reported to the Shareholders' general meeting s for review;

(10) to decide on major external investments (including but not limited to the establishment of new companies or branches), but the cumulative amount of the Company's external investments (including but not limited to the establishment of new companies or branches) within one year exceeds the Company's latest audited Matters that account for 30% of the Company's total assets must be reported to the Shareholders' general meetings for review;

(11) to decide on major entrusted financial management, but if the cumulative amount of the Company's entrusted financial management within one year exceeds 30% of the Company's latest audited total assets, it must be reported to the Shareholders' general meetings for review;

(12) to decide on the establishment of the Company's internal management agencies and branches;

(13) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior management personnel, and determine their remuneration, rewards and punishments; decide on the appointment or dismissal of the Company's deputy general manager, financial controller and other senior management personnel based on the nomination of the general manager personnel and decide on their remuneration and rewards and punishments;

(14) to formulate and modify the Company's basic management system;

(15) to formulate a plan to amend the Articles of Association;

(16) to manage information disclosure matters of the Company;

(17) to propose to the Shareholders' general meetings to hire or change the accounting firm to audit the Company;

(18) to listen to the work report of the general manager of the Company and inspect the work of the general manager;

(19) other powers granted by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, the Articles of Association or the Shareholders' general meetings.

Board meetings are divided into regular meetings and ad hoc meetings. The Board of Directors shall hold at least four meetings each year, convened by the Chairman of the Board. Regular meetings of the Board of Directors shall be notified in writing to all Directors and Supervisors 14 days before the convening of the meeting.

Shareholders representing more than 1/10 of the voting rights, more than 1/3 of the Directors or the Board of Supervisors may propose to convene an ad hoc meeting of the Board. The Chairman of the Board shall convene and preside over a board meeting within 10 days after receiving the proposal.

The methods of notification for the ad hoc meeting of the Board are: telephone notification and written notification (including personal delivery, mail, fax, and email). The notification time limit is to notify all Directors 3 days before the convening of the meeting. In the event of an emergency, with the unanimous consent of all Directors, the convening of an ad hoc meeting of the Board may not be subject to the aforementioned notification time limit, but it shall be recorded in the board minutes and signed by all participating Directors.

Board meetings must be attended by more than half of the Directors. Resolutions made by the Board of Directors, unless otherwise provided by laws, administrative regulations and the Articles of Association, must be approved by more than half of all Directors. "One person, one vote" is implemented as to the voting on the resolutions.

Directors who are related to the enterprise involved in the matters resolved at the Board meeting may not exercise voting rights on the resolution, nor may they exercise voting rights on behalf of other Directors. The Board meeting can be held if more than half of the unrelated directors are present, and resolutions made at the Board meeting must be passed by more than half of the unrelated Directors. If the number of unrelated Directors present at the Board of Directors is less than 3, the matter shall be submitted to the Shareholders' general meeting for consideration. If laws, regulations, and the securities regulatory rules of the place where the Company's shares are listed have any additional restrictions on Directors' participation in Board meetings and voting, those provisions shall prevail.

Board meetings shall be attended by the Director in person; if a Director is unable to attend for any reason, he/she may authorize another Director in writing to attend on his/her behalf. The letter of authorization shall state the name of the agent, matters of agency, scope of authorization and validity period, and shall be signed or stamped by the principal; Directors who attend meetings on their behalf shall exercise their rights within the scope of authorization. If a Director fails to attend a Board meeting or appoint a representative to attend, he/she shall be deemed to have given up his/her right to vote at the meeting.

Special Committees of the Board

The Company has established an Audit Committee, a Remuneration Committee, and a Nomination Committee under the Board based on actual conditions and needs.

These special committees are responsible to the Board and perform their duties in accordance with the Articles of Association and the authorization of the Board. Their proposals must be submitted to the Board for review and decision. The members of these special committees are all Directors. Independent non-executive directors account for the majority of the Audit Committee, Remuneration Committee, and Nomination Committee and serve as conveners. The convener of the Audit Committee shall be an accounting professional. The Board of Directors is responsible for formulating work procedures for the special committees and regulating their operations.

Board Secretary

The Company has a Board secretary, who is responsible for the preparation of the Company's Shareholders General Meetings and Board meetings, document storage, management of the Company's Shareholder information, and handling information disclosure matters. The Board secretary shall abide by the relevant provisions of laws, administrative regulations, departmental rules and the Articles of Association.

General Manager and other Senior Management Personnel

The Company has one general manager, who is appointed or dismissed by the Board. The Company has one financial controller and one Board secretary, who are appointed or dismissed by the general manager at the request of the Board.

The Company's general manager, financial controller, board secretary and other senior managers recognized by the Board of the Company are the Company's senior managers. Directors may be employed concurrently as general manager, financial controller, or other senior management personnel.

The general manager and other senior management personnel are elected for a term of three years and can be re-elected.

The general manager is responsible to the Board and exercises the following powers:

(1) to preside over the Company's production, operation, and management work, organize the implementation of Board resolutions, and report work to the Board;

(2) to organize and implement the Company's annual business plans and investment plans;

(3) to formulate a plan for the establishment of the Company's internal management organization;

(4) to formulate the Company's basic management system;

(5) to formulate specific regulations of the Company;

(6) to request the Board to appoint or dismiss the Company's deputy general manager and financial controller;

(7) to decide to appoint or dismiss management personnel other than those who shall be appointed or dismissed by the Board;

(8) to approve transactions and connected transactions other than those required to be reviewed and approved by the Shareholders' general meetings and the Board, but if laws, regulations and regulatory authorities have relevant provisions, such provisions shall prevail;

(9) other powers stipulated in the general manager's work rules;

(10) other powers granted by the Articles of Association or the Board of Directors.

The general manager attends Board meetings.

Senior managers should faithfully perform their duties and safeguard the best interests of the Company and all Shareholders. If senior managers fail to faithfully perform their duties or violate their fiduciary obligations, thereby causing damage to the interests of the Company and public shareholders, they shall be liable for compensation in accordance with the law.

SUPERVISORS AND SUPERVISORY COMMITTEE

Supervisors

The Supervisory Committee shall comprise of shareholder representatives and employee representatives, and employee representatives shall account for no less than one-third of all Supervisors. The employee representatives within the Supervisory Committee shall be democratically elected by the employees of the Company through the employee representative congress, employee congress, etc.

Each session for the Supervisory Committee has a term of three years. Upon expiry of the term of office, a Supervisor may be re-appointed after being re-elected. No Director, general manager, and other senior management member may serve concurrently as Supervisor.

Supervisors may be in attendance at Board meetings and raise questions or suggestions on matters resolved by the Board.

Supervisors shall comply with laws, administrative regulations and the Articles of Association and bear fiduciary obligations and diligence obligations towards the Company. They shall not abuse their authority to accept bribes or other illegal income and shall not misappropriate the property of the Company.

Supervisory Committee

The Company shall have a Supervisory Committee consisting of three Supervisors, and one of them shall be the chairman. The chairman of the Supervisory Committee shall be elected by a simple majority of all Supervisors. The chairman of the Supervisory Committee shall convene and preside over meetings of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, more than half of the Supervisors shall jointly elect a Supervisor to convene and preside over meetings of the Supervisory Committee.

The Supervisory Committee shall exercise the following functions and powers:

(1) to examine regular reports prepared by the Board of Directors and propose written review opinions;

(2) to review the Company's financial position;

(3) to supervise the duty performance of the Directors and senior management members, and to propose a removal of any Director or senior management member in violation of any laws, administrative regulations, the Articles of Association or resolutions adopted at the Shareholders' general meeting;

(4) to demand any Director or senior management member whose conduct harms the interests of the company to rectify such behavior;

(5) to propose to convene a Shareholders' extraordinary general meeting and to convene and preside a general meeting when the Board fails to do such duty as required by the Company Law;

(6) to submit proposals to Shareholders' general meetings;

(7) to initiate legal proceedings against any Director or senior management member according to Article 151 of the Company Law;

(8) to investigate into unusual operation of the Company and, if necessary, to engage an accounting firm, a law firm or other professional institutions to assist in its work at the expenses of the Company;

(9) to carry out other functions and powers as stipulated in the Articles of Association or granted by a Shareholders' general meeting.

Supervisory Committee Meeting

The Supervisory Committee shall convene a meeting at least once every six months. Supervisors may propose to convene extraordinary meetings of Supervisory Committee. Resolutions of the Supervisory Committee shall be passed by more than half of the members of the Supervisory Committee.

QUALIFICATIONS AND RESPONSIBILITIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A person shall not be a Director, Supervisor, general manager or other senior management of the Company under any of the following circumstances:

(1) having no capacity for civil conduct or with limited capacity for civil conduct;

(2) being sentenced to a criminal penalty for corruption, bribery, infringement of property, misappropriation of property or disrupting the order of the socialist market economy, but not more than five years have lapsed since the sentence was served; or being deprived of political rights due to a crime, but not more than five years following such deprivation;

(3) serving as a director, factory manager or president of a company or an enterprise which entered into insolvent liquidation and being personally liable for the bankruptcy of such company or enterprise where not more than three years have elapsed since the completion of the insolvent liquidation of such company or enterprise;

(4) serving as the legal representative of a company or an enterprise which had its business license revoked or had been ordered to close down due to violation of law and bearing the related personal liability where not more than three years have elapsed since the date of the revocation of the business license of such company or enterprise;

(5) having a large amount of debt due and outstanding;

(6) prohibited from participating in the securities market by the China Securities Regulatory Commission and such barring period has not elapsed; or

(7) otherwise as stipulated by laws, administrative regulations, securities regulatory rules or departmental rules of the place where the Company's shares are listed.

Where a Director, Supervisor, general manager and other senior management member of the Company has direct or indirect material interest with the contracts, transactions or arrangements (except the employment contracts between the Company and its Directors, Supervisors, general manager and other senior management members) entered into or proposed to be entered by the Company, such person shall notify the Board of the nature and extent of the interest as soon as possible, regardless of whether such matter, in general, shall be subject to approval of the Board.

Any gains from sale of the Company's shares or other securities with an equity nature by the Directors, Supervisors and senior management members or shareholders holding 5% or more of the Company's shares within six (6) months after their purchase of the same, and any gains from the purchase of the Company's shares or other securities with an equity nature by any of the aforesaid parties within six (6) months after sale of the same shall be disgorged and paid to the Company, and the Board shall be responsible for recovering such gains from the abovementioned parties. However, a securities company which holds 5% or more of the Company's shares as a result of its undertaking of the unsubscribed shares in an offer, and other circumstances stipulated by the CSRC are excluded. Also, the listing rules of the place where the Company's shares are listed provide otherwise, such provisions shall prevail.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC. The Company shall adopt the Gregorian calendar year for its fiscal year, i.e. the fiscal year shall be from January 1 to December 31.

The Company shall prepare a financial report in a timely manner at the end of each fiscal year. The Company will not maintain separate accounting books other than the statutory accounting books. The Company's assets shall not deposit in an account in the name of any individual.

The Company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the accumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required. Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

After the Company has appropriated the statutory reserve fund from its after-tax profits, it may, subject to the resolution of the Shareholders' general meeting, withdraw the discretionary reserve fund from the after-tax profits. After making up of losses and appropriation to reserve funds, balance of the after-tax profits shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

Reserve funds of the Company are used for making up losses of the Company and expanding scale of operation of the Company or conversion into its capital, but capital reserve fund shall not be used for making up the Company's losses. When the statutory reserve funds are converted into capital, the remaining balance of such reserve fund shall not be less than 25% of its registered capital before such conversion.

The Company may distribute profits in cash, stocks or a combination of cash and stocks or by other means permitted by law. Such distribution shall not exceed the amount of the accrued distributable profits and shall in no way prejudice the ability of the Company to continue as a going concern. The Company's profits distributed in cash for a single fiscal year shall be no less than 10% of the distributable profits sustained in the same year.

The Company is required to appoint one or more receiving agents in Hong Kong for H Shareholders. The receiving agents shall, on behalf of the relevant H Shareholders, receive and hold the dividends and other monies payable by the Company in respect of the H Shares pending payment to such H Shareholders. The receiving agents appointed by the Company shall comply with the requirements of laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

INTERNAL AUDIT

The Company implements an internal audit system and has established the internal audit department with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities.

The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint such accounting firm which has complied with the Securities Law for carrying out the audit for the accounting statements, net asset verification and other relevant consultancy services. The term of appointment shall be one (1) year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of the Shareholders' general meetings. The Board may not appoint any accounting firm before the approval of the Shareholders' general meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information without any withholding, concealment and misrepresentation.

The audit fee of the accounting firm shall be determined by the Shareholders' general meeting.

If the Company removes or no longer re-appoints the accounting firm, it shall notify such accounting firm fifteen days in advance. When Shareholders vote for the removal of such accounting firm, such accounting firm shall be entitled to state its opinions at the Shareholders' general meeting.

Where the accounting firm resigns its office, it shall make clear to the Shareholders' general meeting whether or not there are irregularities in the Company.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION OF THE COMPANY

Merger of the Company may take the form of absorption or establishment of a new company.

The absorption of another company by a company is a merger by absorption, and the absorbed company is dissolved. The merger of two or more companies to establish a new company is a merger of new establishments, and the parties to the merger are dissolved.

In the event of a merger, the merger parties shall enter into a merger agreement and prepare a balance sheet and an inventory list for assets. The Company shall notify its creditors within 10 days from passing of the resolution on merger and make an announcement within 30 days on the newspapers as designated by the Company and the website of Hong Kong Stock Exchange (www.hkexnews.hk). Creditors may require the Company to repay the debts or to provide corresponding guarantees within 30 days from receipt of the notification or within 45 days from the date of the announcement if they do not receive the notification.

At the time of the merger, the credits and debts of the parties to the merger shall be assumed by the surviving company or the newly established company after the merger.

When the Company undergoes a division, its assets shall be divided accordingly.

In the event of a division, a balance sheet and an inventory list for assets shall be prepared. The Company shall notify its creditors within 10 days from passing of the resolution on division and make an announcement within 30 days on the newspapers as designated by the Company and the website of Hong Kong Stock Exchange (www.hkexnews.hk).

The debts of the Company prior to the division shall be assumed jointly and severally by the surviving companies after the division, unless provided otherwise in a written agreement reached by the Company and the creditors in respect of repayment of the debts prior to the division.

Where the Company needs to reduce its registered capital, it shall formulate a balance sheet and an inventory list for assets.

The Company shall notify its creditors within 10 days from passing of the resolution on reduction of registered capital and make an announcement within 30 days on the newspapers as designated by the Company and the website of Hong Kong Stock Exchange (www.hkexnews.hk). The creditors shall have the right to require the Company to repay the debts or to provide corresponding guarantees within 30 days from receipt of the notification or within 45 days from the date of the announcement if they do not receive the notification.

The reduced registered capital of the Company shall not be lower than the minimum statutory amount.

In the event of a merger or division of the Company, the registration of changes shall be filed with the company registration authority in accordance with the law; in the case of dissolution, the Company shall be deregistered in accordance with the law; in the case of establishment of a new company, the registration of the establishment of such company shall be completed in accordance with the law.

When the Company increases or decreases its registered capital, it shall go through the registration with the company registration authority in accordance with the law.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(1) the expiration of the business period as stipulated in the Articles of Association or the occurrence of other grounds for dissolution as stipulated in the Articles of Association;

(2) dissolution resolved by the Shareholders' general meeting;

(3) required dissolution due to merger or division of the Company;

(4) revocation of business license, shut-down order and deregistration pursuant to the law;

(5) serious difficulties in its business management and serious damages to the interests of its shareholders for its subsistence which cannot be resolved through any other means, causing the shareholders who hold 10% or more of the total voting rights of the Company may apply to the people's court for dissolution of the Company.

Where the Company is dissolved pursuant to items (1), (2), (4) or (5) above, it shall establish a liquidation committee for liquidation within 15 days after the dissolution circumstance arises. The members of the liquidation committee shall be determined by Directors or the Shareholders' general meeting. If the liquidation committee is not duly set up within the specified period, the creditors may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(1) to liquidate the Company's assets and compile a balance sheet and a inventory of assets;

(2) to inform creditors by notice or announcement;

(3) to deal with the unsettled business of the Company in relation to the liquidation;

(4) to pay off taxes owed and incurred in the course of liquidation;

(5) to clear credits and debts;

(6) to dispose of the remaining assets of the Company after all the debts are paid off;

(7) to participate in civil proceedings on behalf of the Company.

The liquidation committee shall notify all creditors within 10 days after its establishment and make an announcement within 60 days on the newspapers as designated by the Company and the website of Hong Kong Stock Exchange (www.hkexnews.hk). The creditors shall declare their rights to the liquidation committee within 30 days from receipt of the notification or within 45 days from the date of the announcement if they do not receive the notification.

When a creditor declares its creditor's rights, it shall explain the relevant matters of the creditor's rights and provide supporting materials. The liquidation committee shall register the creditor's rights.

The liquidation committee shall not pay off any debts to any creditors during the period of declaration of creditor's rights.

After the liquidation committee has liquidated the assets of the Company and has compiled a balance sheet and an inventory of assets, it shall formulate a liquidation proposal and submit it to the Shareholders' general meeting or the people's court for confirmation.

After the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes, and the debts owed by the Company, the remaining assets of the Company shall be distributed to the shareholders in proportion to their shareholding.

During the liquidation period, the Company subsists but may not engage in business activities unrelated to liquidation. The Company's assets shall not be distributed to the Shareholders prior to making repayment pursuant to the provisions of the preceding paragraph.

If, after liquidating the Company's property and preparing the balance sheet and inventory of assets, the liquidation committee finds that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the people's court for declaration of bankruptcy of the Company.

Following a ruling by the people's court that the Company is bankrupt, the liquidation committee shall transfer the liquidation matter to the people's court.

After the conclusion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report, submit it to the Shareholders' general meeting or the people's court for confirmation and to the company registration authority to apply for deregistration of the Company, and publicly announce the Company's termination.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(1) Following the revision of the Company Law or relevant laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed, the matters stipulated in the Articles of Association contradict the provisions of the revised laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed;

(2) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association;

(3) The Shareholders' general meeting has decided on making amendments to the Articles of Association.

If the amendment to the Articles of Association adopted by a resolution of the shareholders' general meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

On May 13, 2016, our Company was established under the name of Anhui Puji Information Technology Co., Ltd. (安徽普濟信息科技有限公司), as a limited liability company in Hefei, the PRC, with a registered capital of RMB25.0 million. On August 17, 2017, our Company was renamed as Anhui Keda Xunfei Healthcare Information Technology Co., Ltd. (安徽科大訊飛醫療信息技術有限公司). On December 24, 2021, our Company was converted into a joint stock company with limited liability and renamed as Anhui Xunfei Medical Co., Ltd. (安徽訊飛醫療股份有限公司). On February 15, 2023, our Company was renamed as Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司).

Our registered office is at Hefei, Anhui Province, the PRC. We have established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on August 22, 2024. Ms. Yeung Siu Lam (楊兆琳) has been appointed as our authorized representative for the acceptance of services of process and notices on behalf of our Company in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong.

As we are incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in "Regulatory Overview" of this Prospectus and Appendices IV and V to this Prospectus.

B. Changes in the Share Capital of our Company

On December 13, 2023, our Company completed the SAMR registration in respect of the increase of its registered capital from RMB111.0 million to approximately RMB113.8 million.

Upon completion of the Global Offering, without taking into account any H Shares which may be issued pursuant to the Over-allotment Option, our registered share capital will be increased to RMB120,878,233, comprising 43,581,121 Unlisted Shares and 77,297,112 H Shares to be issued and sold under the Global Offering and converted from the Unlisted Shares, representing approximately 36.05% and 63.95% of our registered capital, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this Prospectus.

C. Resolutions of the Shareholders of our Company dated January 25, 2024

On January 25, 2024, the shareholders of our Company passed, among other things, the following resolutions (as supplemented and detailed by Board/persons authorized by the Shareholders):

(a) the issue by our Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H shares to be issued shall be no more than 7,035,550, representing approximately 5.82% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the CSRC's approval, upon completion of the Global Offering, 70,261,562 Unlisted Shares will be converted into H Shares on a one-for-one basis;

(d) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and the listing of H Shares on the Hong Kong Stock Exchange; and

(e) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

D. Conversion

In preparation of the Global Offering, we underwent the Conversion, details of which are set out in "History, Development and Corporate Structure – Corporate Development – Conversion, Further Capital Injection by iFlytek, Pre-IPO Investments and Capitalization Issue" in this Prospectus. Our PRC Legal Advisors, CM Law Firm, has confirmed that we have obtained all necessary approvals from relevant PRC regulatory authorities required for the Conversion.

E. Subsidiaries of Our Company

(a) Subsidiaries

Certain details of our subsidiaries are set forth in the Accountant's Report in Appendix I to this Prospectus.

(b) Changes in the share capital of our subsidiaries

The following changes in the share capital of our subsidiaries took place within the two years immediately preceding the date of this Prospectus:

- On December 11, 2023, Taizhou Xunfei Medical Artificial Intelligence Research Institute Co., Ltd. (泰州訊飛醫療人工智能研究院有限公司) was established in PRC with the registered capital of RMB30,000,000.
- On December 13, 2023, Anhui Xunfei Medical Intelligence Technology Co., Ltd. (安徽訊飛醫智科技有限公司) was established in PRC with the registered capital of RMB10,000,000.
- On June 6, 2024, Beijing Anke Zhiyuan Medical Technology Co., Ltd. (北京安科智遠醫療科技有限公司) was established in the PRC with the registered capital of RMB2,560,000.
- On June 11, 2024, Yibin Imaging Union Medical Technology Co., Ltd.* (宜賓影聯雲享醫療科技有限公司) was established in the PRC with the registered capital of RMB5,000,000.
- On August 19, 2024, Zhejiang Xunyi Technology Co., Ltd.* (浙江訊醫科技有限公司) was established in the PRC with the registered capital of RMB10,000,000.
- On August 28, 2024, Xunfei Healthcare Technology (Hong Kong) Limited (訊飛醫療科技(香港)有限公司) was established in Hong Kong with the registered capital of RMB50,000,000.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this Prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this Prospectus which are or may be material, and a copy of each has been published on the Stock Exchange's website and our Company's own website:

(a) a capital increase agreement entered into among our Company, iFlytek and Hainan Yuema dated December 4, 2023, pursuant to which iFlytek and Hainan Yuema agreed to subscribe for registered capital of our Company of RMB2,842,683 at the consideration of RMB210,000,000;

(b) a cornerstone investment agreement dated December 16, 2024 entered into among our Company, Star Group Limited, Huatai Financial Holdings (Hong Kong) Limited, GF Capital (Hong Kong) Limited, CCB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of HK$28,000,000;

(c) a cornerstone investment agreement dated December 16, 2024 entered into among our Company, Honour Goal Investments Limited (達安投資有限公司), Huatai Financial Holdings (Hong Kong) Limited, GF Capital (Hong Kong) Limited, CCB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$8,000,000;

(d) a cornerstone investment agreement dated December 16, 2024 entered into among our Company, Guangdong-Macao In-Depth Cooperation Zone in Hengqin Industrial Investment Fund (Limited Partnership)* (橫琴粵澳深度合作區產業投資基金(有限合夥)), Huatai Financial Holdings (Hong Kong) Limited, GF Capital (Hong Kong) Limited, CCB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US$8,000,000;

(e) a cornerstone investment agreement dated December 16, 2024 entered into among our Company, Xunyi Limited (訊醫有限公司), Hefei Xunyi Venture Capital Partnership (Limited Partnership)* (合肥訊醫創業投資合夥企業(有限合夥)), Huatai Financial Holdings (Hong Kong) Limited, GF Capital (Hong Kong) Limited, CCB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of HK$62,000,000;

(f) a cornerstone investment agreement dated December 16, 2024 entered into among our Company, Costone China Growth Capital I L.P., Huatai Financial Holdings (Hong Kong) Limited, GF Capital (Hong Kong) Limited, CCB International Capital Limited and GF Securities (Hong Kong) Brokerage Limited, with respect to a subscription of H Shares at the Offer Price in the aggregate amount of HK$62,243,200; and

(g) the Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

(a) Patents

As of the Latest Practicable Date, our Group has the following patents which are considered by us to be or may be material to our business:

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
1.	Our Company	Invention	Hearing Aid (hearing aid and charging chamber) (助聽器(助聽器和充電倉))	ZL202230670228.7	October 11, 2022	February 17, 2023
2.	Our Company	Invention	Display Screen Panel Emotion Management Graphical User Interface (顯示屏幕面板的情緒測評管理圖形用戶界面)	ZL202230670317.1	October 11, 2022	March 28, 2023
3.	Our Company	Invention	Interviewing Interaction Method and Related Devices, Electronic Equipments and Storage Media (問診交互方法及相關裝置、電子設備、存儲介質)	ZL202210736890.7	June 27, 2022	December 6, 2022
4.	Our Company	Design	Packing Box (包裝盒)	ZL202230279917.5	May 12, 2022	October 28, 2022
5.	Our Company	Invention	Model Pre-training and NLP Methodology, Devices, Equipment and Storage Media (模型預訓練及自然語言處理方法、裝置、設備及存儲介質)	ZL202210701343.5	June 21, 2022	December 2, 2022
6.	Our Company	Invention	Recommended Diagnostic Methods and Devices, Electronics and Storage Media (診斷推薦方法及裝置、電子設備和存儲介質)	ZL202210631085.8	June 6, 2022	March 28, 2023
7.	Our Company	Invention	Resource Reservation Method, Resource Reservation System, Electronic Device, and Storage Apparatus (資源預約方法、資源預約系統、電子設備和存儲裝置)	ZL202210538037.4	May 18, 2022	November 1, 2022
8.	Our Company	Design	Charging Box (充電盒)	ZL202230016383.7	January 11, 2022	August 23, 2022

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
9.	Our Company	Invention	Inquiry Recommendation Method, Computing Equipment and Storage Device (問診推薦方法、計算機設備及存儲裝置)	ZL202111044289.3	September 7, 2021	February 17, 2023
10.	Our Company	Invention	Generation Method, Device and Computer Readable Storage Medium of Electronic Medical Record Report (電子病歷報告的生成方法、設備及計算機可讀存儲介質)	ZL202011591152.5	December 29, 2020	December 14, 2021
11.	Our Company	Invention	Medical Terminology Standardized Methods, Electronic Devices and Storage Media (醫學術語標準化方法、電子設備和存儲介質)	ZL202110204614.1	February 23, 2020	December 6, 2022
12.	Our Company	Invention	Recommended Diagnostic Methods and Devices, Electronics and Storage Media (診斷推薦方法及裝置、電子設備和存儲介質)	ZL202011556207.9	December 23, 2020	December 6, 2022
13.	Our Company	Design	Graphical User Interface for Disease Diagnosis to Display Screen Panel (用於顯示屏幕面板的疾病診斷圖形用戶界面)	ZL202030453298.8	August 11, 2020	February 9, 2021
14.	Our Company, iFlytek	Invention	Standard Symptom Extraction Methods, Devices, Electronics and Storage Media (標準癥狀抽取方法、裝置、電子設備和存儲介質)	ZL202010451469.2	May 25, 2020	May 12, 2023
15.	Our Company	Invention	Recommended Methods, Devices, Electronics and Storage Media for Triage (分診推薦方法、裝置、電子設備和存儲介質)	ZL202010080731.7	February 5, 2020	April 7, 2023
16.	Our Company	Design	Intelligent Speech Input Device (智能語音輸入設備)	ZL201930582160.5	October 24, 2019	April 24, 2020
17.	Our Company	Invention	Diagnostics Quality Methods, Devices, Electronics and Storage Media (診斷質檢方法、裝置、電子設備和存儲介質)	ZL201911338750.9	December 23, 2019	February 18, 2022

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
18.	Our Company	Invention	Case Based Decision-Making Assistive Methods Devices, Electronics and Storage Media (基於病歷的輔助決策方法、裝置、電子設備和存儲介質)	ZL202010032543.7	January 13, 2020	February 18, 2022
19.	Our Company	Invention	A Key Information Extraction Method, Device, Equipment and Storage Medium (一種關鍵信息抽取方法、裝置、設備及存儲介質)	ZL201910734867.2	August 9, 2019	May 6, 2022
20.	the First Affiliated Hospital of University of Science and Technology of China (Anhui Provincial Hospital) (中國科學技術大學附屬第一醫院(安徽省立醫院)), Our Company	Invention	Prescription Auditing Method and System (處方審核方法及系統)	ZL201811623534.4	December 28, 2018	November 1, 2022
21.	Our Company	Utility model	Speech Input Device (語音輸入裝置)	ZL201821837567.4	November 8, 2018	July 5, 2019
22.	Our Company	Invention	Image Processing Method and Device (圖像處理方法和裝置)	ZL201811332470.2	November 9, 2018	February 5, 2021
23.	Our Company	Invention	A Method, Device, Equipment and Storage Medium for Lesion Segmentation in Biological Image (一種生物圖像中的病竈分割方法、裝置、設備及存儲介質)	ZL201810521405.8	May 28, 2018	October 19, 2021

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
24.	Chinese People's Liberation Army General Hospital (中國人民解放軍總醫院), our Company	Invention	A Method and Device for Generating Medical Report Based on Voice (一種基於語音的醫療報告生成方法及裝置)	ZL201810214905.7	March 15, 2018	May 6, 2022
25.	Our Company	Utility model	Speech Input System (語音輸入系統)	ZL201820333054.3	March 12, 2018	January 1, 2019
26.	Our Company	Utility model	Sphygmomanometer (血壓計)	ZL201820200596.3	February 5, 2018	January 29, 2019
27.	Our Company	Utility model	A Wireless Microphone Receiver (一種無線麥克風接收器)	ZL201721485409.2	November 9, 2017	June 8, 2018
28.	Our Company	Utility model	A Voice Input System (一種語音錄入系統)	ZL201721926745.6	December 29, 2017	November 13, 2018
29.	Our Company	Utility model	A Microphone (一種麥克風)	ZL201721486873.3	November 9, 2017	January 1, 2019
30.	Our Company	Invention	A Method and Device for Lung Image Retrieval (一種肺部影像檢索方法及裝置)	ZL201711436017.1	December 26, 2017	April 26, 2021
31.	Our Company	Invention	Voice Signal Processing Method and Device, Storage Medium, and Electronic Equipment (語音信號處理方法及裝置、存儲介質、電子設備)	ZL201711482746.0	December 29, 2017	May 25, 2021
32.	Our Company	Invention	A Method and System for Automatic Detection of Pulmonary Nodules (一種肺結節自動檢測方法及系統)	ZL201711436019.0	December 26, 2017	February 1, 2022
33.	Our Company	Invention	Speech Recognition Post-processing Method and System (語音識別後處理方法及系統)	ZL201510560841.2	August 28, 2015	February 26, 2019
34.	Our Company	Invention	A Method and System of Automatically Constructing Template Library (一種自動構建模板庫的方法及系統)	ZL201510427822.2	July 17, 2015	June 12, 2018

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
35.	Our Company	Invention	A Method and System for Improving the Accuracy of Statistical Language Model (提高統計語言模型準確度的方法及系統)	ZL201410366038.0	July 28, 2014	August 25, 2017
36.	Tsinghua University (清華大學), Our Company	Invention	A Method and System for Multi-Label Text Classification (一種多標籤文本分類方法及系統)	ZL201410310719.5	July 1, 2014	June 12, 2018
37.	Our Company	Invention	Constructing Method and System of Heterogeneous Decoding Network and Speech Recognition Method and System (異構解碼網絡的構建方法及系統、語音識別方法及系統)	ZL201410290869.4	June 24, 2014	March 8, 2017
38.	Our Company	Invention	An Automatic Testing System and Method of Speech Recognition Effect (一種語音識別效果自動化測試系統及測試方法)	ZL201310751488.7	December 31, 2013	October 19, 2016
39.	Tsinghua University (清華大學), our Company	Invention	An Interactive Indexing Generating Method and System (一種交互式的檢索式生成方法及系統)	ZL201310611470.7	November 26, 2013	August 31, 2016
40.	Our Company	Invention	A Method and System for Improving Speech Recognition Accuracy (一種提高語音識別準確率的方法及系統)	ZL201210584660.X	December 28, 2012	December 28, 2016
41.	Our Company	Invention	A Method to Improve Denial Capability in Speech Recognition Systems (一種語音識別系統中拒識能力提升方法)	ZL201210581426.1	December 27, 2012	April 1, 2015
42.	Our Company	Invention	A Method for Optimizing the Decoding Efficiency of Speech Recognition (一種語音識別解碼效率優化方法)	ZL201210580290.2	December 27, 2012	January 14, 2015
43.	Our Company	Invention	A Method and Device for Text Data Processing (一種文本數據處理方法和裝置)	ZL201110138284.7	May 25, 2011	January 12, 2013

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
44.	Our Company	Invention	A Voiceprint Recognition System Based on Dynamic Load Balancing and Its Recognition Method (一種基於網絡動態負載均衡的聲紋識別系統及其識別方法)	ZL201010046573.X	January 21, 2010	January 2, 2013
45.	Our Company	Invention	Large-scale Fast Matching Method at Sentence Level (句子層面的大規模快速匹配方法)	ZL200810107117.4	July 17, 2008	December 8, 2010
46.	Our Company	Invention	Text analysis methods, devices, electronic equipment and storage media (文本分析方法、裝置、電子設備和存儲介質)	ZL202110420438.5	April 19, 2021	February 13, 2024
47.	Our Company	Invention	A symptom information extraction method, device, apparatus and storage medium (一種症狀信息抽取方法、裝置、設備及存儲介質)	ZL202110367733.9	April 6, 2021	February 20, 2024
48.	Our Company	Invention	Diagnostic prediction methods, related devices, and readable storage media (診斷預測方法、相關設備及可讀存儲介質)	ZL202010622900.5	June 30, 2020	April 5, 2024
49.	Our Company	Invention	Auxiliary diagnostic methods and systems (輔助診斷方法及系統)	ZL202010239185.7	March 30, 2020	April 5, 2024
50.	Our Company	Invention	Methods for predicting dosing and related devices, equipment, and storage media (給藥量預測方法及相關裝置、設備和存儲介質)	ZL202311467638.1	November 7, 2023	April 5, 2024
51.	Our Company	Invention	Methods and systems for finding similar medical records (相似病歷查找方法及系統)	ZL202010239172.X	March 30, 2020	April 9, 2024

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
52.	iFlytek, Our Company, and the First Affiliated Hospital of University of Science and Technology of China (Anhui Provincial Hospital) (中國科學技術大學附屬第一醫院(安徽省立醫院))	Invention	Methods for constructing diagnosis and treatment information recommendation models, diagnosis and treatment information recommendation methods and devices (診療資訊推薦模型構建方法、診療資訊推薦方法及裝置)	ZL202110179585.8	February 8, 2021	May 31, 2024
53.	Anhui Imaging Union	Utility model	A Self-help System for Electronic Film Acquisition (一種自助獲取電子膠片的系統)	ZL201721021604.X	August 16, 2017	May 15, 2018
54.	Anhui Imaging Union	Utility model	A film Camera (一種膠片機)	ZL201922083684.7	November 26, 2019	August 18, 2020
55.	Anhui Imaging Union	Utility model	An Electronic Film Camera (一種電子膠片機)	ZL201822081544.1	December 12, 2018	July 6, 2021
56.	Anhui Imaging Union	Invention	A Method and System for Medical Image Annotation (一種醫學影像標註方法及系統)	ZL202010586940.9	June 24, 2020	April 13, 2021
57.	Anhui Imaging Union	Invention	A Method of Knowledge Atlas Construction for Medical Imaging (一種用於醫學影像的知識圖譜構建方法)	ZL201811451908.9	November 30, 2018	July 6, 2021
58.	Anhui Imaging Union	Invention	Information Visualization Method Device, Equipment and Storage Medium (信息可視化方法、裝置、設備及存儲介質)	ZL202211059360.X	August 31, 2022	November 25, 2022
59.	Beijing Huiji	Invention	Medical Case Text Analysis Method, Device, Electronic Equipment and Storage Medium (病歷文本分析方法、裝置、電子設備及存儲介質)	ZL202011360065.9	November 27, 2020	April 6, 2021

No.	Patent Owner	Type	Patent	Patent No.	Application Date	Grant Date
60.	Beijing Huiji	Invention	Medical Case Text Analysis Method, Device, Electronic Equipment and Storage Medium (病歷文本分析方法、裝置、電子設備及存儲介質)	ZL202011350938.8	November 27, 2020	September 10, 2021
61.	Beijing Huiji	Invention	ICD Coding Methods, Devices, Electronics and Storage Media (ICD編碼方法、裝置、電子設備和存儲介質)	ZL202011351677.1	November 27, 2020	November 23, 2021

(b) Trademarks

As of the Latest Practicable Date, the following trademarks have been registered in the name of the relevant member of our Group which are considered by us to be or may be material to our business:

No.	Trademark Registrant	Trademark	Registration Number	Place of Registration	Class	Valid Period
1.	Our Company	智医助理	27490129	PRC	44	From October 28, 2018 to October 27, 2028
2.	Our Company	智医助理	27491692	PRC	07	From October 28, 2019 to October 27, 2029
3.	Our Company	智医助理	27501152	PRC	09	From September 7, 2019 to September 6, 2029
4.	Our Company	讯录	41890698	PRC	09	From June 28, 2020 to June 27, 2030
5.	Our Company	讯录	41878715	PRC	09	From June 28, 2020 to June 27, 2030
6.	Our Company	讯录	41886036	PRC	42	From July 14, 2020 to July 13, 2030
7.	Our Company	讯录	41881795	PRC	44	From June 28, 2020 to June 27, 2030
8.	Our Company	讯录	41882798	PRC	42	From June 28, 2020 to June 27, 2030
9.	Our Company	讯录	41887604	PRC	44	From July 14, 2020 to July 13, 2030

No.	Trademark Registrant	Trademark	Registration Number	Place of Registration	Class	Valid Period
10.	Our Company	晓医聆枢	55496907	PRC	09	From November 21, 2021 to November 20, 2031
11.	Our Company	晓医聆枢	55506734	PRC	42	From November 21, 2021 to November 20, 2031
12.	Our Company		60329601	PRC	02	From April 21, 2022 to April 20, 2032
13.	Our Company		60318945	PRC	04	From April 21, 2022 to April 20, 2032
14.	Our Company		60329666	PRC	06	From April 28, 2022 to April 27, 2032
15.	Our Company		60308569	PRC	07	From April 21, 2022 to April 20, 2032
16.	Our Company		60320505	PRC	08	From April 21, 2022 to April 20, 2032
17.	Our Company		60323352	PRC	11	From April 21, 2022 to April 20, 2032
18.	Our Company		60311540	PRC	12	From April 21, 2022 to April 20, 2032
19.	Our Company		60320529	PRC	13	From April 21, 2022 to April 20, 2032
20.	Our Company		60311546	PRC	14	From April 21, 2022 to April 20, 2032
21.	Our Company		60307022	PRC	15	From April 21, 2022 to April 20, 2032
22.	Our Company		60304402	PRC	17	From April 21, 2022 to April 20, 2032
23.	Our Company		60313968	PRC	18	From April 21, 2022 to April 20, 2032
24.	Our Company		60299893	PRC	20	From April 21, 2022 to April 20, 2032
25.	Our Company		60317319	PRC	21	From April 21, 2022 to April 20, 2032
26.	Our Company		60317323	PRC	22	From April 28, 2022 to April 27, 2032
27.	Our Company		60313989	PRC	23	From April 21, 2022 to April 20, 2032
28.	Our Company		60299912	PRC	24	From April 21, 2022 to April 20, 2032

No.	Trademark Registrant	Trademark	Registration Number	Place of Registration	Class	Valid Period
29.	Our Company		60304440	PRC	25	From April 21, 2022 to April 20, 2032
30.	Our Company		60303149	PRC	26	From April 21, 2022 to April 20, 2032
31.	Our Company		60314017	PRC	27	From April 21, 2022 to April 20, 2032
32.	Our Company		60310237	PRC	28	From April 21, 2022 to April 20, 2032
33.	Our Company		60327723	PRC	29	From April 21, 2022 to April 20, 2032
34.	Our Company		60306544	PRC	31	From April 21, 2022 to April 20, 2032
35.	Our Company		60329427	PRC	33	From April 21, 2022 to April 20, 2032
36.	Our Company		60324910	PRC	34	From April 21, 2022 to April 20, 2032
37.	Our Company		60306616	PRC	36	From April 21, 2022 to April 20, 2032
38.	Our Company		60310340	PRC	37	From April 21, 2022 to April 20, 2032
39.	Our Company		60302091	PRC	40	From April 21, 2022 to April 20, 2032
40.	Our Company		60313972	PRC	19	From April 28, 2022 to April 27, 2032
41.	Our Company		66319038	PRC	09	From January 21, 2024 to January 20, 2034
42.	Our Company	讯智医	71727325	PRC	35	From January 21, 2024 to January 20, 2034
43.	Our Company	星火医明	72217672	PRC	09	From March 28, 2024 to March 27, 2034
44.	Our Company	星火医明	72230926	PRC	35	From March 21, 2024 to March 20, 2034
45.	Our Company	讯医康	75172000	PRC	09	From April 28, 2024 to April 27, 2034
46.	Our Company	讯医康	75170508	PRC	42	From May 14, 2024 to May 13, 2034

No.	Trademark Registrant	Trademark	Registration Number	Place of Registration	Class	Valid Period
47.	Our Company	讯医康	75154140	PRC	10	From April 28, 2024 to April 27, 2034
48.	Our Company	讯医康	75172057	PRC	35	From April 28, 2024 to April 27, 2034
49.	Anhui Imaging Union	影联云享影像云	53138305	PRC	44	From September 7, 2021 to September 6, 2031
50.	Anhui Imaging Union	影联云享影像云	53156870	PRC	42	From August 28, 2021 to August 27, 2031
51.	Anhui Imaging Union	影联云享影像云	53128826	PRC	10	From September 14, 2021 to September 13, 2031
52.	Anhui Imaging Union	影联云享 IMLINCS	50949298	PRC	10	From July 28, 2021 to July 27, 2031
53.	Anhui Imaging Union	影联云享影像云	50967091	PRC	42	From November 21, 2021 to November 20, 2031
54.	Anhui Imaging Union	影联云享 IMLINCS	50951954	PRC	42	From July 7, 2021 to July 6, 2031
55.	Anhui Imaging Union	影联云享 IMLINCS	50967073	PRC	42	From July 7, 2021 to July 6, 2031
56.	Anhui Imaging Union	影联云享 IMLINCS	50968901	PRC	10	From June 28, 2021 to June 27, 2031
57.	Anhui Imaging Union	影联网	43196832	PRC	42	From July 7, 2021 to July 6, 2031
58.	Anhui Imaging Union	影联网	43185142	PRC	42	From August 14, 2021 to August 13, 2031
59.	Anhui Imaging Union	影联网	43185121	PRC	10	From September 7, 2020 to September 6, 2030
60.	Anhui Imaging Union	影联网IMLINCS	43185101	PRC	10	From August 28, 2020 to August 27, 2030
61.	Anhui Imaging Union	影联网 IMLINCS	43179939	PRC	42	From August 14, 2021 to August 13, 2031

No.	Trademark Registrant	Trademark	Registration Number	Place of Registration	Class	Valid Period
62.	Anhui Imaging Union	影联网IMLINCS	43187765	PRC	42	From November 7, 2020 to November 6, 2030
63.	Anhui Imaging Union	影联网	43185073	PRC	10	From September 7, 2020 to September 6, 2030
64.	Anhui Imaging Union	影联网 IMLINCS	43198279	PRC	10	From September 7, 2020 to September 6, 2030
65.	Anhui Imaging Union	U 影联网	43189226	PRC	10	From August 28, 2020 to August 27, 2030
66.	Anhui Imaging Union	影联网	43192508	PRC	42	From November 7, 2020 to November 6, 2030
67.	Anhui Imaging Union	云享影联网	34401812	PRC	44/ 42/ 10	From June 28, 2019 to June 27, 2029
68.	Anhui Imaging Union	影联云享 IMLINCS	34401813	PRC	44/ 42/ 10	From June 28, 2019 to June 27, 2029
69.	Anhui Imaging Union	U 云享影联网	34401814	PRC	10	From March 21, 2020 to March 20, 2030
70.	Anhui Imaging Union	影联网	18440167	PRC	42	From March 7, 2017 to March 6, 2027
71.	Anhui Imaging Union	影联网	18440310	PRC	44	From March 7, 2017 to March 6, 2027
72.	Anhui Imaging Union	影联网	18440110	PRC	41	From March 7, 2017 to March 6, 2027

As of the Latest Practicable Date, we have been granted by iFlytek the rights to use the following registered trademarks which we consider to be or may be material to our business:

No.	Trademark	Registration Number	Place of Registration	Class	License Period
1.	讯飞医疗 Xunfei healthcare	75145471	PRC	35	From January 4, 2024 to January 3, 2039
2.	讯飞聆枢	57726811	PRC	09	From January 4, 2024 to January 3, 2039
3.	讯飞聆枢	57729309	PRC	42	From January 4, 2024 to January 3, 2039
4.	讯飞智心	70090323	PRC	09	From January 4, 2024 to January 3, 2039
5.	讯飞智心	70093299	PRC	10	From January 4, 2024 to January 3, 2039
6.	讯飞智心	70087690	PRC	35	From January 4, 2024 to January 3, 2039
7.	讯飞智心	70091501	PRC	41	From January 4, 2024 to January 3, 2039
8.	讯飞智心	70111840	PRC	42	From January 4, 2024 to January 3, 2039
9.	讯飞智心	70100002	PRC	44	From January 4, 2024 to January 3, 2039
10.	Xunfei Smart Health	70116787	PRC	09	From January 4, 2024 to January 3, 2039
11.	Xunfei Smart Health	70116801	PRC	10	From January 4, 2024 to January 3, 2039
12.	Xunfei Smart Health	70096567	PRC	35	From January 4, 2024 to January 3, 2039
13.	Xunfei Smart Health	70094840	PRC	41	From January 4, 2024 to January 3, 2039
14.	Xunfei Smart Health	70105973	PRC	42	From January 4, 2024 to January 3, 2039
15.	Xunfei Smart Health	70087736	PRC	44	From January 4, 2024 to January 3, 2039
16.	Health Spark	74909887	PRC	10	From January 4, 2024 to January 3, 2039
17.	Health Spark	74923946	PRC	35	From January 4, 2024 to January 3, 2039
18.	Health Spark	74916291	PRC	42	From January 4, 2024 to January 3, 2039
19.	讯康晓医	74918859	PRC	09	From January 4, 2024 to January 3, 2039

No.	Trademark	Registration Number	Place of Registration	Class	License Period
20.	讯康晓医	74912631	PRC	10	From January 4, 2024 to January 3, 2039
21.	讯康晓医	74912639	PRC	35	From January 4, 2024 to January 3, 2039
22.	讯康晓医	74914409	PRC	42	From January 4, 2024 to January 3, 2039
23.	讯飞晓医	25266881	PRC	9	From January 4, 2024 to January 3, 2039
24.	讯飞晓医	25270906	PRC	42	From January 4, 2024 to January 3, 2039
25.	讯飞晓医	31464593	PRC	44	From January 4, 2024 to January 3, 2039
26.	讯飞晓医 iFLYDOC	32360696	PRC	9	From January 4, 2024 to January 3, 2039
27.	讯飞晓医 iFLYDOC	32325090	PRC	44	From January 4, 2024 to January 3, 2039
28.	晓医	32451409	PRC	9	From January 4, 2024 to January 3, 2039
29.	晓医	32456362	PRC	35	From January 4, 2024 to January 3, 2039
30.	讯飞晓医 A i·D O C	26150828	PRC	44	From January 4, 2024 to January 3, 2039
31.	讯飞晓医 A i·D O C	26153219	PRC	09	From January 4, 2024 to January 3, 2039
32.		25976853	PRC	44	From January 4, 2024 to January 3, 2039
33.		25982040	PRC	09	From January 4, 2024 to January 3, 2039
34.	讯飞云医声	36286670	PRC	09	From January 4, 2024 to January 3, 2039
35.	讯飞云医声	36288295	PRC	35	From January 4, 2024 to January 3, 2039
36.	讯飞云医声	36286714	PRC	44	From January 4, 2024 to January 3, 2039
37.	讯飞健康 iFLYDOCTOR	47652431	PRC	09	From January 4, 2024 to January 3, 2039
38.	讯飞晓医 iFLY HEALTHCARE	52294018A	PRC	09	From January 4, 2024 to January 3, 2039

No.	Trademark	Registration Number	Place of Registration	Class	License Period
39.	讯飞晓医 iFLY HEALTHCARE	62037894	PRC	10	From January 4, 2024 to January 3, 2039
40.	讯飞晓医 iFLY HEALTHCARE	52298771	PRC	05	From January 4, 2024 to January 3, 2039
41.	讯飞晓医 iFLY HEALTHCARE	52292877	PRC	44	From January 4, 2024 to January 3, 2039
42.	讯飞医疗 iFLYHEALTH	60334240	PRC	05	From January 4, 2024 to January 3, 2039
43.		60302459	PRC	05	From January 4, 2024 to January 3, 2039
44.		60324631	PRC	09	From January 4, 2024 to January 3, 2039
45.		60320519	PRC	10	From January 4, 2024 to January 3, 2039
46.		60301694	PRC	35	From January 4, 2024 to January 3, 2039
47.		60310090	PRC	42	From January 4, 2024 to January 3, 2039
48.		60301029	PRC	44	From January 4, 2024 to January 3, 2039
49.		60326785	PRC	01	From January 4, 2024 to January 3, 2039
50.		60306985	PRC	03	From January 4, 2024 to January 3, 2039
51.		60311555	PRC	16	From January 4, 2024 to January 3, 2039
52.		60308600	PRC	30	From January 4, 2024 to January 3, 2039
53.		60301332	PRC	32	From January 4, 2024 to January 3, 2039
54.		60318120	PRC	38	From January 4, 2024 to January 3, 2039
55.		60318138	PRC	39	From January 4, 2024 to January 3, 2039
56.		60322036	PRC	41	From January 4, 2024 to January 3, 2039
57.		60302129	PRC	43	From January 4, 2024 to January 3, 2039

No.	Trademark	Registration Number	Place of Registration	Class	License Period
58.	ZHIXIN 讯飞智心	75120664	PRC	10	From January 4, 2024 to January 3, 2039
59.	Xunfei smart health	75126160	PRC	35	From January 4, 2024 to January 3, 2039

(c) Software Copyrights registered

As at the Latest Practicable Date, we have registered the following software copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Registration Number	Registration Date
1.	Xunfei Healthcare Artificial Intelligence Medical Imaging Diagnosis System V1.0 (訊飛醫療人工智能醫學影像診斷系統V1.0)	Our Company	2017SR582141	October 23, 2017
2.	Xunfei Healthcare Medical Artificial Intelligence Medical Imaging Auxiliary Examination System V1.0 (訊飛醫療人工智能醫學影像輔檢系統V1.0)	Our Company	2017SR582143	October 23, 2017
3.	Xunfei Healthcare Intelligent Follow-up Assistant System for Family Doctor V1.0 (訊飛醫療家庭醫生智能隨訪助手系統V1.0)	Our Company	2017SR582279	October 24, 2017

No.	Copyright	Registered Owner	Registration Number	Registration Date
4.	Xunfei Healthcare Intelligent Voice Guided Consultation Interactive System V1.0 (訊飛醫療智能語音導診導醫交互系統V1.0)	Our Company	2017SR582821	October 24, 2017
5.	Xunfei Healthcare Imaging Aided Diagnosis System V1.0 (訊飛醫療醫學影像輔助診斷系統V1.0)	Our Company	2017SR582831	October 24, 2017
6.	Xunfei Healthcare Artificial Intelligence Diagnosis and Treatment System V1.0 (訊飛醫療人工智能輔助診療系統V1.0)	Our Company	2018SR056387	January 24, 2018
7.	Xunfei Healthcare Voice Electronic Medical Record System V1.0 (訊飛醫療門診語音電子病歷系統V1.0)	Our Company	2018SR205774	March 26, 2018
8.	Xunfei Healthcare Multimodal Input System V2.0 (訊飛醫療多模態輸入系統V2.0)	Our Company	2018SR205784	March 26, 2018
9.	Xunfei Healthcare Assistant Auxiliary Diagnosis and Treatment System V1.0 (訊飛醫療智醫助理輔助診療系統V1.0)	Our Company	2018SR526282	July 6, 2018
10.	Xunfei Healthcare Assistive System V1.0 Based on Electronic Medical Records (訊飛醫療基於電子病歷的輔助診療系統V1.0)	Our Company	2018SR635296	August 9, 2018

No.	Copyright	Registered Owner	Registration Number	Registration Date
11.	Xunfei Healthcare Intelligent Assistant System V1.0 (訊飛醫療智醫助理系統V1.0)	Our Company	2018SR641595	August 13, 2018
12.	Xunfei Healthcare Intelligent Voice Outgoing Calling Assistant System V1.0 (訊飛醫療智能語音外呼助手系統V1.0)	Our Company	2018SR684038	August 27, 2018
13.	Xunfei Healthcare Intelligent Voice Outgoing Calling Assistant System V1.0 (訊飛醫療智醫助理運行及監管平台系統V1.0)	Our Company	2019SR0323024	April 11, 2019
14.	Xunfei Healthcare Smart Medical Assistant Chronic Disease Intelligent Management System V1.0 (訊飛醫療智醫助理慢病智能管理系統V1.0)	Our Company	2019SR0508676	May 23, 2019
15.	Xunfei Healthcare Intelligent Medical Assistant Assisted Diagnosis System V3.0 (訊飛醫療智醫助理輔助診斷系統V3.0)	Our Company	2019SR0538595	May 29, 2019
16.	Xunfei Healthcare Smart Doctor Assistant Remote Consultation Access System V3.0 (訊飛醫療智醫助理遠程會診接入系統V3.0)	Our Company	2019SR0643263	June 21, 2019

No.	Copyright	Registered Owner	Registration Number	Registration Date
17.	Xunfei Healthcare Intelligent Speech Follow-up System V5.0 (訊飛醫療智能語音隨訪系統V5.0)	Our Company	2019SR0643301	June 21, 2019
18.	Xunfei Healthcare Input System V5.0 (訊飛醫療輸入系統V5.0)	Our Company	2019SR0836121	August 12, 2019
19.	Xunfei Healthcare Intelligent Outbound Semantic Understanding System V2.0 (訊飛醫療智能外呼語義理解系統V2.0)	Our Company	2019SR0841477	August 13, 2019
20.	Xunfei Healthcare Primary General Practice Auxiliary Diagnosis and Treatment Platform System V2.0 (訊飛醫療基層全科輔助診療平台系統V2.0)	Our Company	2019SR0969904	September 19, 2019
21.	Xunfei Healthcare Speech Recognition Engine System V5.0 (訊飛醫療語音識別引擎系統V5.0)	Our Company	2019SR1117610	November 5, 2019
22.	Xunfei Healthcare Clinical Intelligence Decision Support System V5.0 (訊飛醫療臨床智能決策支持系統V5.0)	Our Company	2019SR1162539	November 18, 2019
23.	Xunfei Healthcare AI Medical Imaging Data Analysis Application System V1.0 (訊飛醫療AI醫學影像數據分析應用系統V1.0)	Our Company	2019SR1243535	November 30, 2019

No.	Copyright	Registered Owner	Registration Number	Registration Date
24.	Xunfei Healthcare Artificial Intelligence Audit System V1.0 (訊飛醫療人工智能審核系統V1.0)	Our Company	2020SR0164027	February 21, 2020
25.	Xunfei Healthcare Smart Medical Assistant Medical Record Quality Control Quality Control Labeling System V1.0 (訊飛醫療智醫助理病歷質檢質控標註系統V1.0)	Our Company	2020SR0182122	February 26, 2020
26.	Xunfei Healthcare Intelligent Medical Assistant Full Process Assisted Diagnosis and Treatment System V1.0 (訊飛醫療智醫助理全流程輔助診療系統V1.0)	Our Company	2020SR0182127	February 26, 2020
27.	Xunfei Healthcare Smart Medical Assistant Health Education System V1.0 (訊飛醫療智醫助理健康宣教系統V1.0)	Our Company	2020SR0182102	February 26, 2020
28.	Xunfei Healthcare Smart Medical Assistant Medical Record Labeling System V1.0 (訊飛醫療智醫助理病歷標註系統V1.0)	Our Company	2020SR0182107	February 26, 2020
29.	Xunfei Healthcare Smart Medical Assistant Drug Knowledge Management System V1.0 (訊飛醫療智醫助理藥品知識管理系統V1.0)	Our Company	2020SR0182117	February 26, 2020

No.	Copyright	Registered Owner	Registration Number	Registration Date
30.	Xunfei Healthcare Smart Medical Assistant Disease Knowledge Graph Annotation System V1.0 (訊飛醫療智醫助理疾病知識圖譜標註系統V1.0)	Our Company	2020SR0182112	February 26, 2020
31.	Xunfei Healthcare Smart Medical Assistant Operation and Supervision System V2.0 (訊飛醫療智醫助理運行監管系統V2.0)	Our Company	2020SR0190911	February 28, 2020
32.	Xunfei Healthcare Smart Medical Assistant Phone Robot System V2.0 (訊飛醫療智醫助理電話機器人系統V2.0)	Our Company	2020SR1008967	August 31, 2020
33.	Xunfei Healthcare AI Capability Platform System V6.0 (訊飛醫療醫學AI能力平台系統V6.0)	Our Company	2020SR1031571	September 2, 2020
34.	Xunfei Healthcare Multidisciplinary Joint Consultation (MDT) Service Platform V2.0 (訊飛醫療多學科聯合會診(MDT)服務平台V2.0)	Our Company	2020SR1039943	September 3, 2020
35.	Xunfei Healthcare Family Doctor Service Platform V2.0 (訊飛醫療家庭醫生服務平台V2.0)	Our Company	2020SR1040248	September 3, 2020
36.	Xunfei Healthcare Intelligent Internet Hospital Platform V2.0 (訊飛醫療智能互聯網醫院平台V2.0)	Our Company	2020SR1039929	September 3, 2020

No.	Copyright	Registered Owner	Registration Number	Registration Date
37.	Xunfei Healthcare AI Medical Record Quality Control System V1.0 (訊飛醫療AI病歷質檢系統V1.0)	Our Company	2020SR1510497	October 15, 2020
38.	Xunfei Healthcare Artificial Intelligence Quality Control Audit System V1.0 (訊飛醫療人工智能質控審核系統V1.0)	Our Company	2020SR1660825	November 27, 2020
39.	Xunfei Healthcare Intelligent Medical Assistant Primary Integrated Intelligent Diagnosis and Treatment Platform V1.0 (訊飛醫療智醫助理基層一體化智能診療平台V1.0)	Our Company	2021SR0447933	March 25, 2021
40.	Xunfei Healthcare Intelligent Cloud Electronic Medical Record System V1.0 (訊飛醫療智能雲電子病歷系統V1.0)	Our Company	2021SR0454478	March 26, 2021
41.	Xunfei Healthcare Multi-Channel Intelligent Early Warning System V1.0 (訊飛醫療多渠道智能預警系統V1.0)	Our Company	2021SR0512778	April 8, 2021
42.	Artificial Intelligence Infectious Disease Multi-point Trigger Risk Surveillance Management System V1.0 (人工智能傳染病多點觸發風險監控管理系統V1.0)	Our Company	2021SR0514823	April 9, 2021

No.	Copyright	Registered Owner	Registration Number	Registration Date
43.	Xunfei Healthcare Infectious Disease Surveillance and Early Warning Core Support Platform V1.0 (訊飛醫療傳染病監測預警核心支撐平台V1.0)	Our Company	2021SR0514860	April 9, 2021
44.	Xunfei Healthcare Defense Section Intelligent Monitoring and Audit System V4.0 (訊飛醫療防保科智能監測審核系統V4.0)	Our Company	2021SR0902681	June 16, 2021
45.	Xunfei Healthcare Infectious Disease Surveillance and Early Warning System V2.0 (訊飛醫療傳染病監測預警系統V2.0)	Our Company	2021SR0902732	June 16, 2021
46.	Xunfei Healthcare Infectious Disease Visualization Decision Analysis System V3.0 (訊飛醫療傳染病可視化決策分析系統V3.0)	Our Company	2021SR0902680	June 16, 2021
47.	Xunfei Healthcare Multimodal Intelligent Exclusion and Verification Subsystem V2.0 (訊飛醫療多模態智能排查核實子系統V2.0)	Our Company	2021SR0902728	June 16, 2021
48.	Xunfei Healthcare Epidemiology Survey Intelligent Aid System V3.0 (訊飛醫療流行病學調查智能輔助系統V3.0)	Our Company	2021SR0902731	June 16, 2021

No.	Copyright	Registered Owner	Registration Number	Registration Date
49.	Xunfei Healthcare Intelligent Rehabilitation Escort System V4.0 (訊飛醫療智能康復護航系統V4.0)	Our Company	2021SR0902730	June 16, 2021
50.	Xunfei Healthcare Infectious Disease Surveillance, Early Warning and Situational Reasoning Capability Service Component System V2.0 (訊飛醫療傳染病監測預警與態勢推演能力服務組件系統V2.0)	Our Company	2021SR0902729	June 16, 2021
51.	Xunfei Healthcare Hospital Intelligent Follow-up System V1.0 (訊飛醫療醫院智能隨訪系統V1.0)	Our Company	2021SR1077350	July 21, 2021
52.	Xunfei Healthcare Cloud Medical Voice AI Post-diagnosis Doctor-Patient Management System V1.0 (訊飛醫療雲醫聲AI診斷後醫患管理系統V1.0)	Our Company	2021SR1509626	October 14, 2021
53.	Xunfei Healthcare Cloud Medical Voice AI Post-diagnosis Patient Management System – Doctor's Side V1.0 (訊飛醫療雲醫聲AI診斷後患者管理系統–醫生端V1.0)	Our Company	2021SR1509632	October 14, 2021

No.	Copyright	Registered Owner	Registration Number	Registration Date
54.	Xunfei Healthcare Cloud Medical Voice AI Post-diagnosis Patient Management System – Patient Side V1.0 (訊飛醫療雲醫聲AI診斷後患者管理系統–患者端V1.0)	Our Company	2021SR1509633	October 14, 2021
55.	Xunfei Healthcare VTE Intelligent Prevention and Control Management System V1.0 (訊飛醫療VTE智能防治管理系統V1.0)	Our Company	2021SR2076393	December 17, 2021
56.	Xunfei Healthcare Intelligent Customer Service System V1.0 (訊飛醫療智能客服系統V1.0)	Our Company	2022SR0060625	January 10, 2022
57.	Xunfei Healthcare Advantage Disease Whole-Process Diagnosis and Treatment Platform V1.0 (訊飛醫療優勢病種全程診療平台V1.0)	Our Company	2022SR0073468	January 11, 2022
58.	Intelligence Platform Medical Data Standard Management System V2.0 (數醫智能平台醫療數據標準管理系統V2.0)	Our Company	2022SR0230225	February 15, 2022
59.	Intelligence Platform Patient Master Index Management System V2.0 (數醫智能平台患者主索引管理系統V2.0)	Our Company	2022SR0230228	February 15, 2022

No.	Copyright	Registered Owner	Registration Number	Registration Date
60.	Intelligence Platform Medical Master Data Management System V2.0 (數醫智能平台醫療主數據管理系統V2.0)	Our Company	2022SR0230229	February 15, 2022
61.	Intelligence Platform Medical Terminology Link Intelligent Annotation System V2.0 (數醫智能平台醫療術語鏈接智能標註系統V2.0)	Our Company	2022SR0232957	February 15, 2022
62.	Xunfei Healthcare Medical Artificial Intelligence Assisted Diagnosis and Treatment Core Capability Platform V3.0 (訊飛醫療醫學人工智能輔助診療核心能力平台V3.0)	Our Company	2022SR0539696	April 28, 2022
63.	Xunfei Healthcare Medical Artificial Intelligence for Chronic Disease Management Core Competency Platform V2.0 (訊飛醫療醫學人工智能慢病管理核心能力平台V2.0)	Our Company	2022SR0539697	April 28, 2022
64.	Xunfei Healthcare Intelligent Hospital Platform V2.0 (訊飛醫療智慧醫院平台V2.0)	Our Company	2022SR0567630	May 10,2022
65.	Xunfei Healthcare Intelligence Service Operation Platform V2.0 (訊飛醫療智慧服務運營平台V2.0)	Our Company	2022SR0567634	May 10,2022

No.	Copyright	Registered Owner	Registration Number	Registration Date
66.	Xunfei Healthcare National Health Intelligent Information Platform V2.0 (訊飛醫療全民健康智能信息平台V2.0)	Our Company	2022SR0599365	May 18, 2022
67.	Xunfei Healthcare Hearing Health Android Application V1.0 (訊飛醫療聽力健康安卓版應用軟件V1.0)	Our Company	2022SR0616636	May 20, 2022
68.	Xunfei Healthcare Hearing Health iOS Application V1.0 (訊飛醫療聽力健康iOS版應用軟件V1.0)	Our Company	2022SR0626017	May 23, 2022
69.	AI Case Quality Control System V1.0 (AI病案質控系統V1.0)	Our Company	2022SR0716240	June 8, 2022
70.	AI Full Medical Record Quality Control System V1.0 (AI全病歷質控系統V1.0)	Our Company	2022SR0716239	June 8, 2022
71.	VTE Intelligent Prevention and Control Management System V1.0 (VTE智能防治管理系統V1.0)	Our Company	2022SR0753809	June 28, 2022
72.	Xunfei Healthcare Smart Hearing Aid Embedded Software V1.0 (訊飛醫療智能助聽器嵌入式軟件V1.0)	Our Company	2022SR0873497	June 30, 2022
73.	Xunfei Healthcare Primary AI Cloud EMR System V1.0 (訊飛醫療基層AI雲EMR系統V1.0)	Our Company	2022SR0922835	June 20, 2022

No.	Copyright	Registered Owner	Registration Number	Registration Date
74.	Xunfei Healthcare Primary AI Cloud HIS System V1.0 (訊飛醫療基層AI雲HIS系統V1.0)	Our Company	2022SR0922836	June 20, 2022
75.	Xunfei Healthcare Family Doctor Signing System V1.0 (訊飛醫療家庭醫生簽約系統V1.0)	Our Company	2022SR0967804	July 26, 2022
76.	Xunfei Healthcare Family Doctor Contracting System V1.0 (訊飛醫療基層AI公共衛生系統V1.0)	Our Company	2022SR0967803	July 26, 2022
77.	Xunfei Healthcare Multi-Point Multi-Channel Data Management System V1.0 (訊飛醫療多點多渠道數據管理系統V1.0)	Our Company	2022SR1360143	September 16, 2022
78.	Xunfei Healthcare Medical Artificial Intelligence Core Competency Platform for Medicine V4.0 (訊飛醫療醫學人工智能核心能力平台V4.0)	Our Company	2022SR1368870	September 22, 2022
79.	Xunfei Healthcare Medical Comprehensive Supervision Platform for Medical Services V1.0 (訊飛醫療醫療服務綜合監管平台V1.0)	Our Company	2022SR1457696	November 3, 2022

No.	Copyright	Registered Owner	Registration Number	Registration Date
80.	Xunfei Healthcare Primary Business Support Platform System V1.0 (訊飛醫療基層業務支撐平台系統V1.0)	Our Company	2022SR1505880	November 16, 2022
81.	Hospital AI Medical Insurance Control System V1.0 (醫院AI醫保控費系統V1.0)	Our Company	2022SR1565859	November 28, 2022
82.	Hospital DIP Intelligent Management System V1.0 (醫院DIP智能管理系統V1.0)	Our Company	2022SR1565861	November 28, 2022
83.	Hospital DRG Intelligent Management System V1.0 (醫院DRG智能管理系統V1.0)	Our Company	2022SR1565858	November 28, 2022
84.	Xunfei Healthcare Knowledge Mapping Management Platform V1.0 (訊飛醫療知識圖譜管理平台V1.0)	Our Company	2023SR0214208	February 9, 2023
85.	Smart Service Patient Service System V0.5 (智慧服務患者服務系統V0.5)	Our Company	2023SR0226354	February 10, 2023
86.	Smart Service Chronic Disease Management System V0.2 (智慧服務慢病管理系統V0.2)	Our Company	2023SR0226128	February 10, 2023
87.	Xunfei Healthcare Blood Pressure Management System V1.0 (訊飛醫療血壓管理系統V1.0)	Our Company	2023SR0479556	April 18, 2023
88.	Xunfei Heart Healing System V1.0 (訊飛心愈系統V1.0)	Our Company	2023SR0504909	April 26, 2023

No.	Copyright	Registered Owner	Registration Number	Registration Date
89.	Compact County Level Medical Community Information Platform V1.0 (緊密型縣域醫共體信息平台V1.0)	Our Company	2024SR0050109	January 8, 2024
90.	Xunfei Healthcare Hospital Big Data Intelligence Platform V1.0 (訊飛醫療醫院大數據智能平台V1.0)	Our Company	2024SR0395463	March 15, 2024
91.	Xunfei Healthcare Infectious Disease Data Governance Platform V1.0 (訊飛醫療傳染病資料治理平台V1.0)	Our Company	2024SR0593743	April 30, 2024
92.	Xunfei Healthcare Disease Prevention and Control Auxiliary Decision-Making Information System V1.0 (訊飛醫療疾病防控輔助決策資訊系統V1.0)	Our Company	2024SR0616975	May 8, 2024
93.	Xunfei Healthcare Intelligent Early Warning System for Disease Prevention and Control V1.0 (訊飛醫療疾病防控智慧化預警系統V1.0)	Our Company	2024SR0616483	May 8, 2024
94.	Xunfei Healthcare Multi-Channel Surveillance System for Infectious Diseases V1.0 (訊飛醫療傳染病多管道監測系統V1.0)	Our Company	2024SR0633391	May 11, 2024

No.	Copyright	Registered Owner	Registration Number	Registration Date
95.	Xunfei Healthcare Medical Text Customer Service V1.0 (訊飛醫療文字客服V1.0)	Our Company	2024SR0202646	January 31, 2024
96.	Quantitative Emotion Assessment Platform V1.0 (情緒量化評估平台V1.0)	Our Company, Beijing Anding Hospital of Capital Medical University (Beijing Mental Health Center, China Drug Dependence Treatment Center) (首都醫科大學附屬北京安定醫院(北京市心理衛生中心、中國藥物依賴治療中心))	2023SR0923236	August 11, 2023
97.	Imaging Union Imaging Center Performance Appraisal Analysis System 1.0 (影聯影像中心績效考核分析系統1.0)	Anhui Imaging Union	2016SR194226	July 26, 2016
98.	Imaging Union Medical Image Storage and Transfer Software 1.0 (影聯醫學圖像存儲傳輸軟件1.0)	Anhui Imaging Union	2016SR193312	July 26, 2016
99.	Imaging Union Network Portal System 1.0 (影聯網門戶系統1.0)	Anhui Imaging Union	2016SR193309	July 26, 2016

No.	Copyright	Registered Owner	Registration Number	Registration Date
100.	Imaging Union Remote Consultation Platform 1.0 (影聯遠程會診平台1.0)	Anhui Imaging Union	2016SR194229	July 26, 2016
101.	Imaging Union Electronic Film System 2.0 (影聯電子膠片系統2.0)	Anhui Imaging Union	2017SR454984	August 17, 2017
102.	Imaging Union Medical Imaging Quality Control System 1.0 (影聯網醫學影像質控系統1.0)	Anhui Imaging Union	2017SR583747	October 24, 2017
103.	Imaging Union Network 2.0 (影聯網2.0)	Anhui Imaging Union	2017SR612372	November 8, 2017
104.	Electronic Film Reporting System 1.0 (電子膠片報告系統1.0)	Anhui Imaging Union	2020SR0317574	April 9, 2020
105.	Electronic Film Clinical Review System 1.0 (電子膠片臨床閱片系統1.0)	Anhui Imaging Union	2020SR0317570	April 9, 2020
106.	Remote Video Consultation System 1.0 (遠程視頻會診系統1.0)	Anhui Imaging Union	2020SR0165860	February 24, 2020
107.	Clinical Decision Support System 1.0 (臨床決策支持系統1.0)	Anhui Imaging Union	2021SR0812900	June 1, 2021
108.	Imaging AI Assisted Diagnosis System V1.0 (影像AI輔助診斷系統V1.0)	Anhui Imaging Union	2021SR0268127	February 22, 2021
109.	Digital Image Reading Software V1.0 (數字影像閱片軟件V1.0)	Anhui Imaging Union	2022SR0983887	August 1, 2022

No.	Copyright	Registered Owner	Registration Number	Registration Date
110.	Digital Imaging Clinical Access Software V1.0 (數字影像臨床調閱軟件V1.0)	Anhui Imaging Union	2022SR0984396	August 1, 2022
111.	Lung Nodule Assisted Detection System V1.1.0 (肺結節輔助檢測系統V1.1.0)	Anhui Imaging Union	2023SR0544145	May 16, 2023
112.	Imaging Union Medical Imaging Quality Control System V2.3.0 (影聯網醫學影像質控系統V2.3.0)	Anhui Imaging Union	2023SR0868493	July 21, 2023
113.	Imaging Cloud Backend Management System V1.4.2 (影像雲後台管理系統V1.4.2)	Anhui Imaging Union	2023SR0752936	June 29, 2023
114.	Electronic Medical Record Auxiliary Diagnosis System V1.0 (電子病歷輔助診斷系統V1.0)	Beijing Huiji	2020SR0954144	August 19, 2020
115.	Automated Structured System for Electronic Medical Records V1.0 (電子病歷自動結構化系統V1.0)	Beijing Huiji	2020SR0954138	August 19, 2020
116.	Case Home Quality Control System V1.0 (病案首頁質控系統V1.0)	Beijing Huiji	2021SR0578429	April 22, 2021
117.	Outpatient Medical Record Quality Control System V1.0 (門診病歷質控系統V1.0)	Beijing Huiji	2021SR0578425	April 22, 2021
118.	Hospitalized Medical Records Quality Control System V1.0 (住院病歷質控系統V1.0)	Beijing Huiji	2021SR0578424	April 22, 2021

No.	Copyright	Registered Owner	Registration Number	Registration Date
119.	CHS-DRG Group Management System V1.0 (CHS-DRG分組管理系統V1.0)	Beijing Huiji	2021SR0581243	April 22, 2021
120.	DRG Intelligent Management System V1.0 (DRG智能管理系統V1.0)	Beijing Huiji	2021SR0581266	April 22, 2021
121.	Artificial Intelligence Assisted Coding System V1.0 (人工智能輔助編碼系統V1.0)	Beijing Huiji	2021SR0578423	April 22, 2021
122.	Artificial Intelligence Health Insurance Settlement Audit System V1.0 (人工智能醫保結算審核系統V1.0)	Beijing Huiji	2021SR1835796	November 22, 2021
123.	Artificial Intelligence Health Insurance Settlement Risk Alert System V1.0 (人工智能醫保結算風險提示系統V1.0)	Beijing Huiji	2021SR1835793	November 22, 2021
124.	Primary Care Audit System V1.0 (基層醫保審核系統V1.0)	Beijing Huiji	2022SR0903726	July 7, 2022
125.	Primary Care Health Insurance Audit System V1.0 (基層醫療機構醫保審核系統V1.0)	Beijing Huiji	2022SR1602403	December 23, 2022
126.	Artificial Intelligence Medical Case Review System V1.0 (人工智能醫療病案審核系統V1.0)	Beijing Huiji	2022SR1602433	December 23, 2022

No.	Copyright	Registered Owner	Registration Number	Registration Date
127.	Artificial Intelligence Medical Prescription Review System V1.0 (人工智能醫療處方審核系統V1.0)	Beijing Huiji	2022SR1602434	December 23, 2022
128.	Hospital Medical Insurance Intelligent Risk Control System V1.0 (醫院醫保智能風控系統V1.0)	Beijing Huiji	2022SR1550563	November 18, 2022
129.	Hospital DIP Intelligent Management System V1.0 based on Full Medical Record (基於全病歷的醫院DIP智能管理系統V1.0)	Beijing Huiji	2022SR1554845	November 21, 2022
130.	Integrated Pan-Vascular Disease Management Platform V1.0 (泛血管疾病綜合管理平台V1.0)	Shanghai Zhixin	2023SR0373783	March 21, 2023

(d) Domain Name

As of the Latest Practicable Date, the following domain names have been registered in the name of the relevant member of our Group which are considered by us to be or may be material to our business:

No.	Domain Name	Registered Owner	Effective Period
1.	xfzhyl.com	Our Company	From May 19, 2022 to May 19, 2026
2.	iflytekhealth.com	Our Company	From October 18, 2016 to October 18, 2025
3.	xfzhyy.com	Our Company	From July 24, 2020 to July 24, 2026
4.	xfzyzl.com	Our Company	From July 10, 2018 to July 10, 2026
5.	iflyhealth.com	Our Company	From October 17, 2016 to October 18, 2025

No.	Domain Name	Registered Owner	Effective Period
6.	iunet.vip	Anhui Imaging Union	From December 22, 2016 to December 22, 2026
7.	ahyingxiangyun.com	Anhui Imaging Union	From September 12, 2017 to September 12, 2027
8.	ahyxy.cn	Anhui Imaging Union	From November 16, 2021 to November 16, 2031

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Each of the Directors and Supervisors entered into a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (i) the terms of the service and (ii) termination provisions in accordance with their respective terms. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Directors' and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management – Remuneration of Directors and Supervisors" and under Note 13 to the financial information in the Accountant's Report set out in Appendix I, no Director or Supervisor received any other fees, salaries, allowances, share based compensation, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the year ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024.

Under the arrangement currently in force, the aggregate amounts of remuneration payable by our Company to our Directors and Supervisors for the year ending December 31, 2024 to be approximately RMB25.55 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

4. DISCLOSURE OF INTERESTS

A. Substantial Shareholders

Save as disclosed below and in the section headed "Substantial Shareholders" in this prospectus, up to the Latest Practicable Date, our Directors, Supervisors or chief executive were not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who had an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the Global Offering, would fall to be disclosed to our Company under the provisions of Divisions 2 an 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company or any member of our Group.

Member of our Group	Person/Entity with 10% or more interest	Capacity	Approximate Percentage of Interest
Anhui Imaging Union	Yilian Yunxiang	Beneficial Owner	28.8591%
Beijing Huiji	Mr. Wu Ji (吳及)	Beneficial Owner	10%
Lvliang Xunfei	Lvliang Investment	Beneficial Owner	10%
Shanghai Zhixin	Xunhongcun Technology	Beneficial Owner	35%

B. Directors, Supervisors or Chief Executives

Save as disclosed below and in the section headed "Substantial Shareholders" in this prospectus, immediately following completion of the Global Offering (and assuming the Over-allotment Option is not exercised), none of our Directors, Supervisors or chief executive of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which has been taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

Interests in our Company

				As of the Latest Practicable Date		Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)		
Name	Position held within our Company	Type of Shares held	Capacity/ nature of interest	Number of Shares held	Approximate percentage of shareholding interest in the total share capital	Number of Shares held	Approximate percentage of shareholding in the relevant type of Shares[1]	Approximate percentage of shareholding in the total issued Share capital of our Company
Dr. Liu Qingfeng	Non-executive Director and Chairman of the Board	Unlisted Shares	Interest held by controlled Corporations[2]	1,353,659	1.19%	676,829	1.55%	1.12%
		H shares		–	–	676,830	0.88%	

1 The calculation is based on the assumption that immediately following the completion of the Global Offering, there will be (i) a total number of 43,581,121 Unlisted Shares in issue; and (ii) a total number of 77,297,112 H Shares (including 70,261,562 H Shares converted from Unlisted Shares without taking into consideration the exercise of Over-allotment Option) in issue.

2 Anhui Yanzhi held 1.19% equity interests in our Company and was held as to 69.5248% by Dr. Liu Qingfeng. Therefore, Dr. Liu Qingfeng is deemed to be interested in the Shares held by Anhui Yanzhi.

Interest in associated corporation

				As of December 31, 2023	
Name	Position held within our Company	Name of our associated corporation	Nature of interest	Number of shares of our associated corporation held	Approximate percentage of shareholding interest in the total share capital of our associated corporation
Dr. Liu Qingfeng	Non-executive Director and Chairman of the Board	iFlytek	Beneficial owner[1]	128,297,167	5.54%

Name	Position held within our Company	Name of our associated corporation	Nature of interest	As of December 31, 2023 Number of shares of our associated corporation held	Approximate percentage of shareholding interest in the total share capital of our associated corporation
			Interest held by controlled Corporations[1]	57,291,611	2.47%
			Interests held jointly with another person[1]	75,076,787	3.24%
			Interest held through voting rights entrustment arrangement[1]	86,370,265	3.74%
Mr. Duan Dawei	Non-executive Director	iFlytek	Beneficial owner	555,000	0.024%
Ms. Sheng Yan	Supervisor	iFlytek	Beneficial owner	5,000	0.0002%

1 As of December 31, 2023, Dr. Liu Qingfeng was interested in approximately 14.99% equity interests in iFlytek, among which, (i) Dr. Liu Qingfeng directly held approximately 5.54% equity interests in iFlytek; (ii) Anhui Yanzhi, which was held as to 69.5248% by Dr. Liu Qingfeng, held 2.47% equity interests in iFlytek; (iii) Dr. Liu Qingfeng and USTC Holdings have entered into an acting in concert agreement, pursuant to which, Dr. Liu Qingfeng and USTC Holdings Company Limited agreed to act in concert in respect of matters considered at general meetings of iFlytek. USTC Holdings held approximately 3.24% equity interests in iFlytek; and (iv) each of Mr. Wang Renhua (王仁華), Mr. Chen Tao (陳濤), Mr. Wu Xiaoru (吳曉如), Mr. Hu Yu (胡鬱), Mr. Yan Jun (嚴峻), Mr. Huang Haibing (黃海兵), Mr. Jiang Tao (江濤), Mr. Wu Xianghui (吳相會), Mr. Xu Yulin (徐玉林), Mr. Wang Zhiguo (王智國), Mr. Hu Hongwei (胡宏偉), Mr. Nie Xiaolin (聶小林), Mr. Hu Guoping (胡國平) and Mr. Yang Jun (楊軍) has entrusted, among others, his/her voting power at general meetings of iFlytek, representing approximately 3.74% of the equity interests in iFlytek, to Dr. Liu Qingfeng. On November 19, 2024, the acting in concert agreement between Dr. Liu Qingfeng and USTC Holdings has expired.

C. Disclaimers

Save as disclosed in this Prospectus:

(a) none of our Directors, Supervisors or chief executive of Our Company has any interests and short positions in the shares, underlying shares and debentures of Our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed on the Stock Exchange;

(c) none of our Directors or Supervisor nor any of the parties listed in "– 6. Other Information – G. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(d) none of our Directors or Supervisor nor any of the parties listed in "– 6. Other Information – G. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(e) none of the parties listed in the paragraph headed "– 6. Other Information – G. Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

(f) save as disclosed in the section headed "Business" in this prospectus, none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers in each year/period during the Track Record Period.

5. SHARE OWNERSHIP PLAN

We have established a Share Ownership Plan ("**Plan**") in September 2021 to attract and retain the talents and to provide incentives to employees of our Group and talents who have made contribution to the development of our Group, for long-term development of our Company. The Plan was approved and adopted pursuant to the Shareholder resolution dated September 2021. The terms of the Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Shareholding Platforms

Hefei Zhengsheng was established as a limited partnership on April 4, 2018 as one of our employee shareholding platform. Nanjing Zhengyang and Nanjing Zhenghui holds 53.42% and 6.9% partnership interests in Hefei Zhengsheng. Nanjing Zhengchang holds 11.19% partnership interest in Nanjing Zhengyang.

Set out below is the holding structure of our shareholding platforms as of the Latest Practicable Date:

- ***Heifei Zhengsheng***: The general partner of Hefei Zhengsheng is Mr. Lu Xiaoliang, holding 12% partnership interests in Hefei Zhengsheng. Nanjing Zhengyang and Nanjing Zhenghui, as limited partners of Hefei Zhengsheng, holds 53.42% and 6.9% partnership interests in Hefei Zhengsheng, respectively. The remaining 27.68% partnership interests in Hefei Zhengsheng are held by 16 limited partners who are current employees of our Group or iFlytek Group and were granted the partnership interests in Hefei Zhengsheng for their contribution to the development of our Group, among whom, Dr. Tao Xiaodong, our executive Director, and Mr. Zhao Zhiwei, our non-executive Director, holds 13% and 3.2% partnership interest in Hefei Zhengsheng, respectively. None of the other limited partners of Hefei Zhengsheng hold more than 2% partnership interests in Hefei Zhengsheng.

- ***Nanjing Zhengyang***: Nanjing Zhengyang was established as a limited partnership on December 3, 2021 as one of our shareholding platforms. The general partner of Nanjing Zhengyang is Mr. Lu Xiaoliang holding 6.11% partnership interest in Nanjing Zhengyang. Nanjing Zhengchang, as a limited partner of Nanjing Zhengyang, holds 11.19% partnership interest in Nanjing Zhengyang. The remaining 82.7% partnership interests in Nanjing Zhengyang are held by 47 limited partners who are former or current employees of our Group or iFlytek Group and were granted the partnership interests in Nanjing Zhengyang for their contribution to the development of our Group, among whom, Mr. Zhao Zhiwei, being our non-executive Director, Mr. Ji Lin (吉林), being a director of Beijing Huiji, Lvliang Xunfei and Pu'er Xunfei, Dr. Tao Xiaodong, being our executive Director, and Ms. Zhang Xuanxuan, being one of our Supervisors and the supervisor of Lvliang Xunfei, hold 24.34%, 5.62%, 5.32%, and 0.94% partnership interest in Nanjing Zhengyang, respectively. None of the other limited partners of Nanjing Zhengyang hold more than 10% partnership interests in Nanjing Zhengyang.

- ***Nanjing Zhenghui***: Nanjing Zhenghui was established as a limited partnership on December 3, 2021 as one of our shareholding platforms. The general partner of Nanjing Zhenghui is Mr. Lu Xiaoliang holding 1.4% partnership interest in Nanjing Zhenghui. Mr. Gui Yajun, being one of our Supervisors, as a limited partner of Nanjing Zhenghui, holds 2.9% partnership interest in Nanjing Zhenghui. The remaining 95.7% partnership interests in Nanjing Zhenghui are held by 44 limited partners who are current employees of our Group or iFlytek Group and were granted the partnership interests in Nanjing Zhenghui for their contribution to the development of our Group. None of the other limited partners of Nanjing Zhenghui hold more than 3% partnership interests in Nanjing Zhenghui.

- ***Nanjing Zhengchang***: Nanjing Zhengchang was established as a limited partnership on December 9, 2022 as one of our shareholding platform. The general partner of Nanjing Zhengchang is Ms. Zhang Panpan, holding 5.02% partnership interest in Nanjing Zhengchang. Ms. Sheng Yan, one of our Supervisors, as a limited partner of Nanjing Zhengchang, holds 1.67% partnership interest in Nanjing Zhengchang. The remaining 93.31% partnership interests in Nanjing Zhengchang are held by 45 limited partners who are current employees of our Group or iFlytek Group and were granted the partnership interests in Nanjing Zhengchang for their contribution to the development of our Group. None of the other limited partners of Nanjing Zhengchang hold more than 6% partnership interests in Nanjing Zhengchang.

(b) Administration

The Plan shall be approved by the Board and Shareholders. Subject to authorization from Shareholders, the Board shall be responsible for the amendment and explanation of the Plan and the general manager of our Company may authorize a committee consisting of five members to be responsible for the daily implementation and management of the Plan.

(c) Participants

The participants ("**Participants**") of the Plan shall be an employee of our Group or its related company who serves as management or technicist providing or has provided services to our Group, or other qualified participants as deemed by the Board.

(d) Term

The Plan took effect from September 15, 2021 and is valid until all partnership interests granted to Participants are fully unlocked or repurchased, subject to termination by the Board under the termination events as provided under the Plan.

(e) Shares and Share Price under the Plan

As of the Latest Practicable Date, there were a total of 19,473,294 Shares and 146 individual Participants under the Plan. We do not expect to grant additional partnership interest or Shares as incentive under the Plan. Immediately following completion of the Global Offering, the aggregate number of Shares underlying the Plan remain as 19,473,294 representing 16.11% of the total issued Shares (without taking into consideration the exercise of Over-allotment Option). As a result, the Plan will not cause any dilution of the shareholding of our Shareholders immediately after the Global Offering. For further details on the interest of our connected persons granted under the Plan, please refer to the partnership interest of the Plan Platforms in the section headed "5. Share Ownership Plan – (a) Shareholding Platforms."

(f) Repurchase of Shares Granted

The partnership interests granted to the Participant may be repurchased by the Shareholding Platforms in the event of, including but not limited to (i) the death of the participant, or his/her death or disappearance has been declared by the People's Court; (ii) termination of labor or employment relationship with the employee if the employee loses his/her ability to work due to occupational injuries; (iii) the participant retires and is not rehired; (iv) resignation of the participant from our Group during the employment term; (v) the participant violates relevant laws, administrative regulations or the provisions of the Articles of Association, causing significant economic losses to our Company; (vi) the participant is under investigation for criminal liability for a criminal act; (vii) the participant has seriously neglected his/her duties, dereliction of duty, or committed malpractice for personal gain, which has caused significant damage to our Company; and (viii) there are sufficient evidence to prove that the participant has caused damage to our Company or affected our Company's reputation due to bribery, solicitation of bribes, embezzlement, theft, disclosure of commercial or technical secrets and violation of our Company's regulations on non-competition or restriction of non-competition during the period of his/her employment.

(g) Performance Targets and Lock-up

Subject to fulfillment of the performance targets at Company level and Participant level, the partnership interests held by the Participant shall be unlocked in three installments, namely 40%, 30%, 30% on the next day following the audit report for the year of 2023, 2024 and 2025 is issued, respectively. Partnership interests which fails to be unlocked shall be repurchased by the shareholding platforms.

(h) Transferability

Before the completion of the Proposed Listing, Participants shall not in any way dispose the partnership interests held by him/her, whether by way of transfer, pledge, or debt repayment, the Participant shall not entrust voting rights or beneficial rights to the corresponding shareholding platforms to other third parties, regardless whether the partnership interests have been unlocked or not.

Save for complying with relevant laws and regulations, subject to written notice from Participants to reduce their partnership interests in corresponding shareholding platform once a year after 12 months upon completion of the Proposed Listing, Hefei Zhengsheng is entitled to sell the corresponding Shares and distribute consideration for such sale after deduction of relevant expense and tax to the Participant.

6. OTHER INFORMATION

A. Estate Duty

We have been advised that no material liability for estate duty under the PRC law is likely to fall upon our Company or any member of our Group.

B. Litigation

As of the Latest Practicable Date, we were not involved in any material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

C. Joint Sponsors

Each of the Joint Sponsors has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

Huatai United Securities Co. Ltd. ("**Huatai United Securities**"), a member belonging to the same group of companies as Huatai Financial Holdings (Hong Kong) Limited ("**Huatai Financial**") (one of the Joint Sponsors), acted as the independent financial adviser to iFlytek in connection with the spin-off and listing of the Company's Shares pursuant to the Spin-off Rules for Listed Companies (For Trial Implementation)《上市公司分拆規則(試行)》and Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》promulgated by the CSRC. Notwithstanding the above, considering that (i) the work of financial adviser is a restricted one purely to satisfy the regulatory requirements imposed by the CSRC and the role of financial adviser of Huatai United Securities is not in conflict with Huatai Financial's role as an independent sponsor for the Listing (such work is also in line with that undertaken by other financial advisers in similar spin-off cases); and (ii) the fee from the service of financial adviser is immaterial, such relationship between Huatai United Securities and iFlytek would not be reasonably considered to affect Huatai Financial's independence as sponsor to the Company in performing its duties, and should not reasonably give rise to a perception that Huatai Financial's independence would be so affected under Rule 3A.07(9) of the Listing Rules, and there are no other circumstances affecting Huatai Financial's independence under Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee for listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

We have entered into an engagement agreement with the Joint Sponsors, pursuant to which we agreed to pay a total amount of US$0.36 million, US$0.3 million and US$0.3 million to each of Huatai Financial Holdings (Hong Kong) Limited, GF Capital (Hong Kong) Limited and CCB International Capital Limited for acting as Joint Sponsors to our Company in the Global Offering.

D. Compliance Adviser

We have appointed Somerley Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

F. Promoters

The promoters of our Company are iFlytek, Hefei Zhengsheng, Anhui Kexun, Mr. Hu Guoping, Tianzheng Investment, Zibo Jizhi, Gongqingcheng Huizhi, Hefei Tongchuang, iFlytek Haihe and Kexun Lianshan. For details of the promoters of our Company, please see "History, Development and Corporate Structure" of this prospectus.

Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other interest have been paid, allotted or given to the above promoters in connection with the Global Offering or related transactions in this Prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given their opinions or advice in the Prospectus, are as follows:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) of the regulated activities as defined under the SFO
GF Capital (Hong Kong) Limited	A licenced corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO
CCB International Capital Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants (Public Interest Entity Auditors registered in accordance with the Financial Reporting Council Ordinance)
CM Law Firm	PRC Legal Advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Pillsbury Winthrop Shaw Pittman LLP	U.S. export control and sanctions counsel

H. Consents of Experts

Each of the experts as referred to in "Statutory and General Information – 6. Other Information – G. Qualification of Experts" has given, and has not withdrawn, its respective written consents to the issue of this Prospectus with the inclusion of its reports and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if higher) the fair value of the H Shares being sold or transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). For further information in relation to taxation, see "Appendix III – Taxation and Foreign Exchange" in this Prospectus.

J. No Material Adverse Change

Save as disclosed in this Prospectus, our Directors confirm that there has been no material adverse change in our financial or operational position since June 30, 2024, being the end date of our latest audited financial statements, and up to the Latest Practicable Date.

K. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Within the two years immediately preceding the date of this Prospectus, we have entered into the related party transactions as described in Note 39 to the financial information in the Accountant's Report set out in Appendix I.

M. Agency Fees or Commissions Paid or Payable

Save as disclosed in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this Prospectus.

N. Miscellaneous

Save as disclosed in this Prospectus:

(a) within the two years immediately preceding the date of this Prospectus, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(f) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

O. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – 2. Further Information about Our Business – A. Summary of Our Material Contracts" in Appendix VI to this prospectus; and

(b) the written consents referred to under the paragraph headed "Statutory and General Information – 6. Other Information – H. Consents of experts" in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.iflyhealth.com** up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022, 2023, and the six months ended June 30, 2024;

(d) the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(e) the service contracts referred to in the paragraph headed "Statutory and General Information – 3. Further Information about our Directors and Supervisors – A. Particulars of Directors' and Supervisors' Contracts" in Appendix VI to this prospectus;

(f) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – 2. Further Information about Our Business – A. Summary of Our Material Contracts" in Appendix VI to this prospectus;

(g) the written consents referred to under the paragraph headed "Statutory and General Information – 6. Other Information – H. Consents of experts" in Appendix VI to this prospectus;

(h) the legal opinions issued by CM Law Firm, our PRC Legal Advisors, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

(i) the legal opinion on U.S. export control and sanctions matters issued by Pillsbury Winthrop Shaw Pittman LLP;

(j) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this Prospectus;

(k) the PRC Company Law, PRC Securities Law and Overseas Listing Trial Measures together with their unofficial English translations.

訊飛醫療科技股份有限公司

Xunfei Healthcare Technology Co., Ltd.

CM Law Firm
2805, Plaza 66 Tower 2
1366 West Nanjing Road
Shanghai
PRC

December 18, 2024

The Board of Directors
Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司) (the "Company")
No. 167 Guang'anmennei Street
Xicheng District, Beijing
PRC

Dear Sirs/Madams,

We refer to the prospectus of the Company dated December 18, 2024 (the "**Prospectus**") in connection with the Company's global offering and the proposed listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited.

We hereby give, and confirm that we have not withdrawn, our consent to the issue of the Prospectus by the Company, with the inclusion therein of all references to our names, qualifications, confirmations and opinions in the form and context in which they respectively appear in the Prospectus.

We also consent to a copy of this letter and our PRC legal opinions being made available on display as described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the Prospectus.

-signature page to follow-

CM Law Firm
2805, Plaza 66 Tower 2
1366 West Nanjing Road
Shanghai
PRC

Yours faithfully,

____

CM Law Firm

Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.
Suite 2504, Wheelock Square
1717 Nanjing West Road
Shanghai
PRC

December 18, 2024

The Board of Directors
Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司) (the "Company")
No. 167 Guang'anmennei Street
Xicheng District, Beijing
PRC

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We refer to the prospectus of the Company dated December 18, 2024 (the **"Prospectus"**) in connection with the Company's global offering and the proposed listing of its H shares on the Main Board of The Stock Exchange of Hong Kong Limited.

We hereby give, and confirm that we have not withdrawn, our consent to the issue of the Prospectus by the Company with the inclusion therein of our industry report and all references to our names, qualifications, confirmations and opinions in the form and context in which they respectively appear in the Prospectus.

We also consent to our industry report and this letter being made available on display as described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the Prospectus.

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FROST & SULLIVAN

沙利文

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会德丰国际广场2504室
2504 Wheelock Square
1717 Nanjing West Road
Shanghai 200040, China
Tel: 86 (21) 5407 5836
Fax: 86 (21) 3209 8500
www.frost.com

For and on behalf of
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

____
Name: Terry Tse
Title: Consulting Director

Pillsbury Winthrop Shaw Pittman LLP
1200 Seventeenth Street, NW
Washington, DC 20036
The United States

December 18, 2024

The Board of Directors
Xunfei Healthcare Technology Co., Ltd. (訊飛醫療科技股份有限公司) (the "Company")
No. 167 Guang'anmennei Street
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We hereby give, and confirm that we have not withdrawn, our consent to the issue of the Prospectus by the Company, with the inclusion therein of all references to our names, qualifications, confirmations and opinions in the form and context in which they respectively appear in the Prospectus.

We also consent to a copy of this letter and our legal opinion on U.S. export control and sanctions matters being made available on display as described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the Prospectus.

-signature page to follow-

Pillsbury Winthrop Shaw Pittman LLP
1200 Seventeenth Street, NW
Washington, DC 20036
The United States

Pillsbury Winthrop Shaw Pittman LLP

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