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## Xikang Cloud Hospital Holdings Inc.

### 熙康雲醫院控股有限公司

(Formerly known as Neusoft Xikang Holdings Inc. 東軟熙康控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9686)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

### FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2024	2023	Change
	<i>(RMB in thousands, except percentages)</i>		
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>179,214</b>	218,925	(39,711)
Gross profit	<b>42,556</b>	67,300	(24,744)
Gross margin	<b>23.7%</b>	30.7%	(7.0%)
Loss for the period	<b>(60,484)</b>	(95,002)	34,518
Add: Share-based compensation expenses	<b>9,182</b>	9,747	(565)
Add: Interest expenses for financial liability for redeemable rights	–	4,918	(4,918)
Adjusted net loss for the period (non-HKFRS measure)	<b>(51,302)</b>	(80,337)	29,035

The board (the “**Board**”) of directors (the “**Director(s)**”) of Xikang Cloud Hospital Holdings Inc. (the “**Company**” or “**we**”) is pleased to announce the unaudited interim results of the Company, its subsidiaries and the consolidated affiliated entities controlled under the contractual arrangements (together, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), as well as the comparative figures for the same period in 2023. The above interim results have been prepared in accordance with Hong Kong Accounting Standards, and have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and the independent auditor of the Company.

During the Reporting Period, we recorded a total revenue of RMB179.2 million (for the six months ended June 30, 2023: RMB218.9 million), representing a year-on-year decrease of 18.1% as compared to the same period of 2023 due to the impact of the macro market and post-pandemic era, as well as the Company’s continued optimization of business structure. During the Reporting Period, we carried on optimizing resource allocation and reinforced the monitoring of our input and output, which resulted in a decrease in our net loss by 36.3% to RMB60.5 million (for the six months ended June 30, 2023: RMB95.0 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS REVIEW

#### **“City-specific Cloud Hospital Platform” Business Model**

With the improvement of people’s health consumption awareness, the promotion of national policies, and the breakthroughs of digital technology, the home medical and nursing service market has grown rapidly, with continuously growing user demands and great market prospects. Keeping up closely with the development trend, we are dedicated to delivering medical and nursing services to home, ensuring that every family can enjoy fair, precise, and friendly healthcare services and home care services. On the basis of China’s increasingly severe aging population, the demand of the elderly for high-quality, safe, and friendly nursing services is increasingly prominent. Leveraging our outstanding business growth and key achievements, we have been gradually building important infrastructure that meets this demand.

We have been adhering to building the unique business model of “city-specific cloud hospital platform” that takes the city as the gateway and closely correlates with the regional medical and health system. We help governments build and operate city-specific cloud hospital platform that integrates urban medical service resources and connects local governments, medical institutions, patients and insurers. These platforms enhance the equity of access to medical resources through the coordinated allocation of urban medical resources, and subsequently form a platform-based regional digital medical service ecology.

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

#### **The uniqueness of our business model as the cloud hospital**

The core values of our business model as “city-specific cloud hospital platform” embody in the depth of exploring the urban medical service market, and the speed of replicating and expanding our business among cities.

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

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

We formed and operated the first city-specific cloud hospital platform of China in Ningbo. Based on our successful operational experience in the full-cycle medical service chain combining medical services, nursing services and health management services in Ningbo for about ten years, we have formed a mature and verifiable business replication model to realize rapid replication and expansion in other cities. Promoted by the cloud hospital business model, the speed of our business expansion was accelerated significantly. During the Reporting Period, we continued to dig the markets in Eastern China, Northern China and Southern China, thus further expanding our city-specific cloud hospital platform network. As of June 30, 2024, the number of medical institutions connected to our city-specific cloud hospital platform network was over 36,000, of which the number of hospitals was 2,654 (as of June 30, 2023: 2,538), representing a year-on-year increase of 4.6%. There were 137,000 doctors (as of June 30, 2023: 121,000) and 108,000 nurses (with more than 5 years of clinical nursing experience) (as of June 30, 2023: 57,000) joining our platforms, representing a year-on-year increase of 13.0% and 90.4%, respectively. During the Reporting Period, we continued to provide professional, comprehensive, high-quality and one-stop health management services. The volume of health management services was 160,000 (same period of 2023: 170,000), representing a year-on-year decrease of 5.5%.

During the Reporting Period, on the basis of understanding our own strategic positioning and advantages, we had upgraded our fast-developing Home Care Services into an independent business segment to highlight its strategic value to the Company. At the same time, we integrated the Cloud Hospital Platform Services and the Internet Medical Services (excluding Home Care Services) from our original business portfolio into Medical Service Segment, and merged Smart Healthcare Products into the Health Management Services segment, to further increase the capability of resource integration and the synergistic effect of our business.

With the general completion of the realignment and the adjustment of our businesses, our main businesses have become clearer, leading to the optimization and highlight of our advantageous businesses. During the Reporting Period, we had been focusing on "medical and nursing services delivered to home". We continuously optimized our business portfolio, improved the synergy of our business, realized more effective and optimized resource allocation, and met the service needs of users from inside to outside the hospital and from offline to online to a greater extent. We had formed the business framework as "Medical Service, Nursing Service, and Health Management Service" to further improve the business ratio of medical services and nursing services. Especially in the home care service industry, we have formed a mature and replicable business operation model, which helped the governments of Zhejiang Province and Henan Province to build and operate two provincial home care service platforms. While we continued to deeply operate the "Care in Zhejiang" platform, we had fastened the application and promotion of the "Care in Yu Delivered to Home" platform in Henan Province, and had achieved the comprehensive coverage in 18 cities of Henan Province within half a year.

Guided by the cloud hospital model and business focus strategy, the overall performance of the Company's business was improved steadily, and the strategic business has grown significantly. During the Reporting Period, the volume of internet medical services we provided exceeded 2,231,000 (same period of 2023: 1,871,000), representing a year-on-year increase of 19.3%. The volume of home care services we provided exceeded 142,000 (same period of 2023: 45,000), representing a year-on-year increase of 217.3%. The volume of online nursing consultations we provided exceeded 147,000 (same period of 2023: 69,000), representing a year-on-year increase of 113.1%.

During the Reporting Period, the Company's profit model became more pronounced and the scale effect of our core business was gradually achieved. In the meantime, the Company continuously advanced the adjustment of its business structure at a rapid pace, further optimized the businesses that have low synergy with our core business and limited sustainable development potential, and created value and core competitiveness for the Company with the city expansion and service offerings constantly developed. The net loss for the period further narrowed as compared to the same period of the previous year, thus creating a solid foundation for the Company's turnaround from loss to profit as early as possible.

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

	<b>Six Months ended June 30,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Revenue</b>	<b>%</b>	<b>Revenue</b>	<b>%</b>
	<i>(RMB in thousands, except for percentages)</i>			
Medical Services <sup>(Note 1)</sup>	<b>87,615</b>	<b>48.9%</b>	112,131	51.2%
Nursing Services <sup>(Note 2)</sup>	<b>24,478</b>	<b>13.7%</b>	10,966	5.0%
Health Management Services <sup>(Note 3)</sup>	<b>67,121</b>	<b>37.4%</b>	95,828	43.8%
<b>Total</b>	<b><u>179,214</u></b>	<b><u>100.0%</u></b>	<b><u>218,925</u></b>	<b><u>100.0%</u></b>

*Notes:*

- Revenue generated from our medical services segment decreased by 21.9% to RMB87.6 million for the six months ended June 30, 2024 from RMB112.1 million for the six months ended June 30, 2023, mainly attributable to the continued weakness of the current economic fundamentals and increasingly fierce market competition, which resulted in fewer project opportunities and delays in projects in cooperation with local governments.
- Revenue generated from our nursing services segment increased by 123.2% to RMB24.5 million for the six months ended June 30, 2024 from RMB11.0 million for the six months ended June 30, 2023, mainly attributable to our marketing and professional operations, as well as the rapid replication of our data-driven operating model.
- Revenue generated from our health management services segment decreased by 30.0% to RMB67.1 million for the six months ended June 30, 2024 from RMB95.8 million for the six months ended June 30, 2023, mainly attributable to the increasingly fierce market competition and the continued weakness of economic fundamentals, which led companies to reduce the expenditure on their employees' health management.

## **Development of Three Business Segments**

Our business portfolio takes the city-specific cloud hospital platform as the carrier and includes three business segments: medical services, nursing services, and health management services. Our medical services are dedicated to empowering medical institutions, to help them to provide integrated online to offline medical services inside and outside the hospitals to patients. Our nursing services extend professional nursing services to out-of-hospital scenarios, providing local residents with safe, reliable, and homogeneous home care services and online nursing consultation services. Our health management services provide individual customers and institutional customers with full-cycle health management services through our self-owned medical institutions. So far, we have formed a closely connected and efficiently collaborated business integration mechanism. Among that, the health management services segment performs as a link between front-end users and back-end medical and nursing service resources, making our business application scenarios more diverse and unique in market competitiveness.

During the Reporting Period, we had been promoting the “Business-Focus Strategy” that focuses on “medical and nursing services delivered to home”. Through the scenarios interaction and resources integration of our three business segments as “Medical Services, Nursing Services, and Health Management Services”, we were able to provide users with full-cycle, full-scenarios, and all-day one-stop healthcare services. At the same time, we continuously developed and enriched our portfolio solutions consisting of home medical, home care, and rehabilitation services and products, such as “Postoperative Patient Home Rehabilitation Service Package” and “Health Management+” services we recently designed, to meet the diversified needs of different types of customers and further enhance our capabilities on resource and service monetizing.

### **Medical Services**

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

We take “integrated medical services from offline to online” and “pre-hospital, in-hospital and post-hospital full-cycle medical management” as the breakthroughs to continuously optimize the process and experience of medical services, and constantly enrich the scenarios and contents of Internet medical services. We also have been continuously strengthening the construction and operation of medical specialty consortiums and promoting the medical collaboration between doctors at primary medical institutions and specialists at large-sized hospitals. During the Reporting Period, our internet medical services had been growing steadily. The volume of our online consultation services and e-prescription services were 1.033 million (same period of 2023: 755,000) and 373,000 (same period of 2023: 336,000), representing a year-on-year increase of 36.8% and 11.0% as compared to the same period of the previous year respectively. The volume of examination and test-booking services was 249,000 (same period of 2023: 64,000), representing a year-on-year increase of 287.1% compared to the same period of the previous year. The volume of our remote medical services was 576,000 (same period of 2023: 715,000), representing a year-on-year decrease of 19.4% as compared to the same period of the previous year.



While focusing on service and product innovation, we have been deeply exploring the advanced technology, experience, resources, and customer advantages of ourselves and our business partners from the perspective of user medical experience, continuously iterating and upgrading the cloud hospital platform, and have undertaken Shenyang Cloud Hospital Platform Upgrade and Nanning Cloud Hospital Upgrade and Promotion in sequence. During the Reporting Period, we took a further step to assist hospitals optimizing patient treatment processes, improving treatment efficiency, and promoting the deep integration of digital technologies and medical services. Integrating our core business resources and service providing capabilities, we focused more on extending medical service needs. As of June 30, 2024, 165 Internet hospitals have joined our platform (as of the end of 2023: 151).

During the Reporting Period, the revenue from our medical services amounted to RMB87.6 million (same period of 2023: RMB112.1 million), representing a year-on-year decrease of 21.9%.

## **Nursing Services**

Home care services are serious medical services in China, and are subject to compulsory access requirements and supervision by government authorities. In order to promote the steady development of our business, we have been adhering to the principles of professionalism, safety, and trustworthiness. In 2016, we took the lead in launching an innovative pilot program for “home care services” in Ningbo city. Accumulated through 8 years of experience, we have formed a comprehensive operational service system, and we took the opportunity of “Innovation in One Place, Sharing across the Province” in Ningbo, to gradually facilitate the replication and expansion of our home care services throughout China. Meanwhile, we constantly promote government authorities to establish sound standards and system of home care services, so as to establish a unified urban management system, service model, service standards, operation mechanism, training system and other standards to ensure that local residents can enjoy the same service quality of home care services in the same area.

Benefited from our deep exploration and advanced experience in Ningbo, we have formed a mature empirical model and gained sound brand recognition in China’s home care industry, leading to our home care services expanding to multiple regions such as cities in Eastern and Southern China, supporting us to undertake the construction and operation of several provincial governments’ “Internet plus Nursing Service” platform as in Zhejiang province and Henan province, which helps to provide high-quality nursing services to residents covered by these platforms. During the Reporting Period, we continued to expand and deepen the construction and service operation of Internet home care service platforms such as the “Care in Zhejiang” platform in Zhejiang Province, the “Care in Yu Delivered to Home” platform in Henan Province, the “Kind Care” platform in Shenyang City, Liaoning Province, the “Nanning Cloud Hospital for Home Care” platform in Nanning City, Guangxi Zhuang Autonomous Region, the “Care in Xuan” in Xuancheng City, Anhui Province, with resident coverage as over 200 million people. Among that, we have made significant progress in expanding our business in Henan Province, and completed the comprehensive coverage of the “Care in Yu Delivered to Home” platform in 18 cities of Henan Province in the first half of 2024. As of June 30, 2024, 391 medical institutions and 31,000 nurses with more than 5 years of clinical care experience have joined the platform.

Taking standardized and comprehensive management as the breakthroughs, on the basis of full insight into the needs of different populations for home care, we continue to integrate multi-level service scenarios, innovate service content, enrich home care service and rehabilitation service items, and upgrade platform functions to meet the needs of the elderly, women and children, chronic disease people and postoperative people for more abundant and more diversified care and rehabilitation. As of June 30, 2024, the amount of home care service items we offer had been expanded to 120+ (as of the end of 2023: 90+).

Through practice, we have developed a standardized operational system that is highly replicable and available. During the Reporting Period, we focused on nursing services business operation, and continued to facilitate the replication and rapid growth of our business in newly expanded regions by professional operation and data-driven operation. We developed different lean operation strategies targeted at governments, institutions, nurses, and paying users to improve user reach and increase user conversion. During the Reporting Period, the volume of home care services we provided exceeded 142,000 (same period of 2023: 45,000), representing a year-on-year increase of 217.3% as compared to the same period of the previous year. Among that, the volume of home care services provided in Zhejiang Province was over 114,000 (same period of 2023: 30,000), representing a year-on-year increase of 279.7% as compared to the same period of the previous year. The volume of nursing consultation services we provided exceeded 147,000 (same period of 2023: 69,000), representing a year-on-year increase of 113.1% as compared to the same period of the previous year.

During the Reporting Period, the revenue from our nursing services amounted to RMB24.5 million (same period of 2023: RMB11.0 million), representing a year-on-year increase of 123.2%.

### **Health Management Services**

We continue to build new integrated health management service systems from offline to online by focusing on the health of users, and are dedicated to providing continuous, comprehensive, and specialized one-stop health management services. As of June 30, 2024, we had 9 medical institutions in 9 cities across the country, which were mainly located in Eastern China, Northern China and Southern China.

We continued to optimize our dual market expansion strategy that targets institutional clients and individual clients, and especially focused on strengthening our cooperative relationships with institutional clients. Leveraging our capabilities to connect and integrate “products + services”, we continued to offer smart medical health products designed for institutional settings and individual settings. To help enterprises manage their employees’ health better, we offered more comprehensive and more diversified employee health management plans for enterprises, which focused on strengthening the connection between products and services in enterprises’ health management settings.

During the Reporting Period, due to the fierce market competition, the volume of our health management services was 160,000 (same period of 2023: 170,000), representing a year-on-year decrease of 5.5%.

During the Reporting Period, due to the increasingly fierce market competition and the continued weakness of economic fundamentals, which led companies to reduce the expenditure on their employees’ health management, the revenue from our health management services amounted to RMB67.1 million (same period of 2023: RMB95.8 million), representing a year-on-year decrease of 30.0%.

## II. BUSINESS PROSPECTS

As the practitioner of serious medical services, and the creator and the promoter of the city-specific cloud hospital model in China, we will adhere to our business strategy of empowering all relevant stakeholders including “the providers, the demanders, the payers, and the regulators” within medical system. We will spare no effort to enhance the cooperation with medical service regulators and service providers, to ensure the compliance, safety, and reliability of the services provided by the platforms, and we will continuously refine regulatory and quality control rules based on disciplinary characteristics and specific business scenarios, to continuously support the high-quality development of the medical and health system.

We will accelerate the expansion of city-specific cloud hospitals as always, adopt more flexible and effective expansion strategies, fully leverage the brand advantage of “Internet plus Nursing Service”, integrate core business resources to promote business diversification, continue to improve the portfolio of medical and health services to meet the health management needs of more levels of customers, and improve the conversion rate of service resources and user resources accessed by the cloud hospital platforms.

We will continue to increase investment in the research and development of city-specific cloud hospital platform and related products, deeply integrate new generation digital technologies such as big data, cloud computing, and artificial intelligence with the “medical and nursing services delivered to home” business, continuously deepen the informationization, digitization, and AI empowered capabilities of various business processes, and realize technology-assisted improvement of operational quality and efficiency through iterative upgrades and promotion of our platforms and related products.

We will take the city-specific cloud hospital platform and its accumulated “Medical Services, Nursing Services, and Health Management Services” resources as the foundation to further attract and expand industrial ecological resources such as medical equipment, pharmaceutical consumables, health products, finance and insurance, to continuously create more abundant applying scenarios, and ultimately to achieve the strategic goal as “developing the city-specific cloud hospital platform economy”.

We are committed to becoming the largest city-specific cloud hospital in China, with the highest quality team of doctors and nurses, achieving the widest business coverage and unparalleled reputation. We firmly believe in the business prospects of city-specific cloud hospitals and will spare no effort to create more value for all participants in the healthcare ecosystem, striving tirelessly to achieve the vision of “empowering every family with fair, precise, friendly medical, health, and home care services”.



### **III. FINANCIAL REVIEW**

#### **Revenue from Contracts with Customers**

Our revenue decreased by 18.1% to RMB179.2 million for the six months ended June 30, 2024 from RMB218.9 million for the six months ended June 30, 2023, mainly attributable to the decrease in revenue from health management services and medical services.

#### **Medical services**

Revenue generated from our medical services segment decreased by 21.9% to RMB87.6 million for the six months ended June 30, 2024 from RMB112.1 million for the six months ended June 30, 2023, mainly attributable to the continued weakness of the current economic fundamentals and increasingly fierce market competition, which resulted in fewer project opportunities and delays in projects in cooperation with local governments.

#### **Nursing services**

Revenue generated from our nursing services segment increased by 123.2% to RMB24.5 million for the six months ended June 30, 2024 from RMB11.0 million for the six months ended June 30, 2023, mainly attributable to our marketing and professional operations, as well as the rapid replication of our data-driven operating model.

#### **Health management services**

Revenue generated from our health management services segment decreased by 30.0% to RMB67.1 million for the six months ended June 30, 2024 from RMB95.8 million for the six months ended June 30, 2023, mainly attributable to the increasingly fierce market competition and the continued weakness of economic fundamentals, which led companies to reduce the expenditure on employees' health management.

#### **Cost of Sales and Services**

Our cost of sales and services decreased by 9.9% to RMB136.7 million for the six months ended June 30, 2024 from RMB151.6 million for the six months ended June 30, 2023, mainly attributable to the decrease in revenue and gross margin.

#### **Gross Profit and Gross Margin**

As a result of the foregoing, our gross profit decreased by 36.8% to RMB42.6 million for the six months ended June 30, 2024 from RMB67.3 million for the six months ended June 30, 2023.

During the Reporting Period, the gross margins of medical services, nursing services and health management services were 17.7%, 26.6% and 30.5%, respectively (for the six months ended June 30, 2023: 23.2%, 54.1% and 36.9%). Our gross margin decreased to 23.7% for the Reporting Period from 30.7% for the six months ended June 30, 2023, mainly attributable to the decrease in revenue from our health management services while the corresponding cost of sales and services was relatively fixed.

## **Selling and Marketing Expenses**

Our selling and marketing expenses decreased by 21.7% to RMB37.3 million for the six months ended June 30, 2024 from RMB47.7 million for the six months ended June 30, 2023. The reasons for the decrease were mainly due to the continuous reinforcement of the monitoring of our input and output, and the constant improvement of resource allocation efficiency.

## **Research and Development Expenses**

Our research and development expenses decreased by 23.4% to RMB21.3 million for the six months ended June 30, 2024 from RMB27.8 million for the six months ended June 30, 2023. The reason for the decrease was mainly due to the continuous optimization of organizational effectiveness, resulting in a decrease in manpower and related expenses.

## **Administrative Expenses**

Our administrative expenses decreased by 26.5% to RMB43.7 million for the six months ended June 30, 2024 from RMB59.5 million for the six months ended June 30, 2023, mainly attributable to the continuous optimization of organizational effectiveness, resulting in a decrease in manpower and related expenses.

## **Other Income**

Our other income increased by 1,720.0% to RMB12.8 million for the six months ended June 30, 2024 from RMB0.7 million for the six months ended June 30, 2023, mainly attributable to (i) increased government grants; and (ii) increased revenue from investment in wealth management products.

## **Other (Losses)/Gains, Net**

We recorded net other losses of RMB6.4 million for the six months ended June 30, 2023, compared to the net other gains of RMB0.4 million for the six months ended June 30, 2024, primarily attributable to reduced currency translation losses.

## **Finance Costs, Net**

Our net finance costs decreased by 67.1% to RMB5.5 million for the six months ended June 30, 2024 from RMB16.8 million for the six months ended June 30, 2023, mainly attributable to (i) an increase in interest income; and (ii) no interest expenses for financial liability for redeemable rights incurred.

## **Share of Losses from Investments Accounted for Using the Equity Method**

Our share of losses from investments accounted for using the equity method increased by 123.8% to RMB4.9 million for the six months ended June 30, 2024 from RMB2.2 million for the six months ended June 30, 2023, mainly attributable to an increase in losses of associates.

## Income Tax Credit

We recorded income tax credit of RMB0.1 million for the six months ended June 30, 2024, compared to tax credit of RMB1.3 million for the same period of 2023, mainly attributable to a decrease in deferred income tax credit.

## Loss for the Period

As a result of the foregoing, our loss for the Reporting Period decreased by 36.3% to RMB60.5 million for the six months ended June 30, 2024 from RMB95.0 million for the six months ended June 30, 2023.

## Adjusted Net Loss

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

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

	<b>For the six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period	<b>(60,484)</b>	(95,002)
Add: Share-based compensation expenses	<b>9,182</b>	9,747
Add: Interest expenses for financial liability for redeemable rights	<b>–</b>	4,918
Adjusted net loss for the period (non-HKFRS measure)	<b>(51,302)</b>	(80,337)

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

Our adjusted net loss (non-HKFRS measure) decreased from RMB80.3 million for the six months ended June 30, 2023 to RMB51.3 million for the six months ended June 30, 2024. The decrease in our adjusted net loss (non-HKFRS measure) for the six months ended June 30, 2024 was mainly due to the decrease in manpower and related expenses resulting from continuous optimization of organizational effectiveness and constant improvement of resource allocation efficiency.

### **Contingent Liabilities**

As of June 30, 2024, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future.

As of June 30, 2024, we did not have any significant contingent liabilities (as of June 30, 2023: nil). In addition, we did not have any material mortgages, pledges, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of June 30, 2024.

### **Capital Expenditures**

During the Reporting Period, we incurred capital expenditures of RMB4.4 million mainly for purchases of property, plant and equipment (for the six months ended June 30, 2023: RMB0.5 million).

### **Pledge of Assets**

As of June 30, 2024, the Group did not pledge any assets.

### **Future Plans for Material Investments or Capital Assets**

Save as disclosed under the section headed “Proceeds from the Global Offering” herein, as of June 30, 2024, the Group did not have any other plans for material investments or capital assets.

### **Liquidity and Capital Resources**

Historically, we have funded our working capital primarily from bank borrowings and equity financing. As of June 30, 2024, we had cash and cash equivalents of RMB575.9 million. We expect to use a portion of the proceeds from the Global Offering (within the meaning of the Prospectus of the Company dated September 18, 2023) to fund our working capital requirements. We currently do not have any plans for material additional external financing.

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

	<b>For the six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Operating cash flows before movements in working capital	<b>(31,834)</b>	(43,857)
Movements in working capital	<b>(34,892)</b>	(44,545)
Interest received	<b>8,128</b>	1,075
Income taxes paid	<b>(5,708)</b>	(3,442)
Net cash used in operating activities	<b>(64,306)</b>	(90,769)
Net cash used in investing activities	<b>(6,519)</b>	(363)
Net cash (used in)/generated from financing activities	<b>(33,783)</b>	(33,130)
Net decrease in cash and cash equivalents	<b>(104,608)</b>	(124,262)
Cash and cash equivalents at the beginning of the period	<b>676,794</b>	350,748
Effects of exchange rate changes on cash and cash equivalents	<b>3,744</b>	824
Cash and cash equivalents at the end of the period	<b>575,930</b>	227,310

#### **Net cash used in operating activities**

Our cash flows from operating activities reflect our loss before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation and amortization, share-based compensation, and financial income and costs); (ii) the effects of movements in working capital (such as changes in inventories, provisions, as well as operating assets and liabilities); and (iii) other cash items (such as interest received and income tax paid).

For the six months ended June 30, 2024, we had net cash used in operating activities of RMB64.3 million, which represents our loss before income tax of RMB60.6 million, as adjusted by non-cash and non-operating items, and the following movements in working capital: (i) other operating liabilities decreased by RMB94.6 million for the six months ended June 30, 2024, mainly due to a decrease in trade payables, other payables and accruals; and (ii) other operating assets decreased by RMB39.5 million, mainly due to a decrease in trade receivables and long-term trade receivables.

#### **Net cash used in investing activities**

For the six months ended June 30, 2024, we had net cash used in investing activities of RMB6.5 million, which was mainly attributable to payment for our purchases for property, plant and equipment and intangible assets.

#### **Net cash used in financing activities**

For the six months ended June 30, 2024, we had net cash used in financing activities of RMB33.8 million, which was mainly attributable to payments of lease liabilities of RMB15.3 million and payments for interests of RMB12.1 million.



## Borrowings

As of June 30, 2024, the aggregate principal balance of our borrowings was RMB509.6 million. As of June 30, 2024, RMB0.4 million of credit lines of our banking facilities remained unutilized.

As of June 30, 2024, all of our non-current borrowings and our current borrowings were bank loans. The maturity dates of our outstanding borrowings range from 2024 to 2025.

## Significant Investments Held

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

Name of the investee company	Principal business	As at June 30, 2024			Percentage of total assets of the Group	For the six months ended June 30, 2024	
		Investment cost (RMB'000)	Shareholding percentage	Carrying amount (RMB'000)		Dividend distributed (RMB'000)	Investment loss in associates (RMB'000)
Dalian Xikang Yunshe Kang Travel Investment Management Co., Ltd.	Operation and management of health preserving hotels	100,000	11.83%	85,477	6.96%	-	(3,051)
Neusoft Management Consulting (Shanghai) Co., Ltd.	Business consulting service, including, among others, medical device	96,436	49.00%	96,589	7.87%	-	(1,876)

### Note:

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

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

Save as disclosed above, during the Reporting Period, the Company did not hold any other significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at June 30, 2024). For cash management purposes, we subscribed for wealth management products. During the Reporting Period, none of the subscriptions of such wealth management products was required to be disclosed under Chapter 14, Chapter 14A or paragraph 32(4) of Appendix D2 of the Listing Rules.

## **Capital Commitments**

As of June 30, 2024, we did not have any material capital commitments.

## **Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

For the six months ended June 30, 2024, our Company did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

## **RISK MANAGEMENT**

### **Foreign Exchange Risk**

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

We operate mainly in the PRC with most of the transactions settled in US dollar and Renminbi respectively as the reporting currency. Our management considers that our business is not exposed to any significant foreign exchange risk as we have no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of our entities. As of June 30, 2024, our Company did not hold any financial instrument for hedging purposes.

### **Gearing Ratio**

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities which are considered as borrowings and lease liabilities less cash and cash equivalents. As at June 30, 2024, the gearing ratio of the Group was 0.5% (December 31, 2023: (17.8%))<sup>Note</sup>.

### **Cash Flow and Fair Value Interest Rate Risk**

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for the investments in wealth management products.

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

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

*Note:* The gearing ratio as at December 31, 2023 was calculated as net debt divided by deficits on total equity. In this regard, as at December 31, 2023, the Group's net asset and gearing ratio recorded were not applicable.

## EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2024, the Company had 853 full-time employees, all of whom are based in China. The following table sets forth the breakdown of the Company's employees by function as of June 30, 2024:

<b>Function</b>	<b>Number of Employees</b>	<b>% of Total</b>
Management and administration	147	17.2
Sales and marketing and operational support	240	28.2
Research and development	134	15.7
Health management	332	38.9
<b>Total</b>	<b>853</b>	<b>100.0</b>

For the six months ended June 30, 2024, the compensation and benefits expenses of the Company paid to its employees were RMB86.6 million (for the six months ended June 30, 2023: RMB111.1 million). Among all of the Company's 853 employees, 469 employees had bachelor's degrees or above, accounting for 55.0% of the Company's total employees.

The Company is committed to establishing competitive and fair remuneration. In order to effectively motivate the Company's employees, the Company continually refines its remuneration and incentive policies through market research. The Company conducts performance evaluations for employees semi-annually to provide feedback on their performance. Compensation for employees typically consists of a basic salary and a performance-based bonus. We also adopted two share option schemes to enhance the enthusiasm, sense of responsibility and sense of mission of our employees, and thereby coordinate the interests of our employees with the interests of our Company.

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

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

During the Reporting Period, the Company did not have any strikes, protests or other material labor conflicts that may materially impair the Company's business and image.

## EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Post-IPO Share Option Scheme, the Company granted an aggregate of 29,465,000 options to 216 eligible participants (the “**Grantee(s)**”) on July 15, 2024 to subscribe for shares with a par value of US\$0.0002 each in the share capital of the Company. The Grantees include Ms. ZONG Wenhong as the executive Director and Chief Executive Officer of the Company who has been granted 4,000,000 options. The remaining grantees are employees of the Company. The exercise price of the option is HK\$1.14.

For details, please refer to the announcement of the Company dated July 15, 2024.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules as the basis for the Company’s corporate governance practices since September 28, 2023 (the “**Listing Date**”). The Company is committed to implementing the best corporate governance practices.

The Company has complied with the code provisions under the CG Code during the Reporting Period.

## PROCEEDS FROM THE GLOBAL OFFERING

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

- approximately 30% of the net Proceeds, for expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base;
- approximately 25% of the net Proceeds, for enriching our offerings across the industry value chain to provide more professional and diversified healthcare services;
- approximately 25% of the net Proceeds, for research and development on technology infrastructure and data capabilities;
- approximately 10% of the net Proceeds, for potential mergers and acquisitions opportunities;
- approximately 10% of the net Proceeds, for working capital and other general corporate purposes.

As of June 30, 2024, the Group's use of the net Proceeds is set out in the table below:

Purpose of use	% of use of Proceeds	Net Proceeds (HK\$ million)	Unutilized	Utilized	Unutilized	Expected timetable for utilization
			amount as at January 1, 2024 (HK\$ million)	amount for the six months ended June 30, 2024 (HK\$ million)	amount as at June 30, 2024 (HK\$ million)	
Expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base	30%	166.3	166.3	1.8	164.5	By December 31, 2028
Enriching our offerings across the industry value chain to provide more professional and diversified healthcare services	25%	138.6	138.6	1.5	137.1	By December 31, 2028
Research and development on technology infrastructure and data capabilities	25%	138.6	138.6	3.1	135.5	By December 31, 2028
Potential mergers and acquisitions opportunities	10%	55.5	55.5	0	55.5	By December 31, 2028
Working capital and other general corporate purposes	10%	55.5	55.5	1.5	54.0	By December 31, 2028

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

In the event that the aforesaid purchases of wealth management products constitute a notifiable transaction under Chapter 14 and/or a connected transaction under Chapter 14A of the Listing Rules in the future, the Company will comply with the relevant requirements under the Listing Rules.



## **INTERIM DIVIDEND**

The Board has resolved not to recommend the distribution of an interim dividend for the six months ended June 30, 2024.

## **COMPLIANCE WITH THE MODEL CODE**

From the Listing Date, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as its code of conduct for securities transactions by Directors.

Having made specific enquiries to all of the Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the Reporting Period and up to the date of this results announcement.

## **AUDIT COMMITTEE**

The Audit Committee of our Company comprises one non-executive Director, namely Dr. CHEN Lianyong, and two independent non-executive Directors, namely Dr. CHEN Yan and Dr. YIN Guisheng. Dr. CHEN Yan is the chairwoman of the Audit Committee. The Audit Committee of our Company has reviewed the interim results of our Company for the six months ended June 30, 2024.

## **SCOPE OF WORK OF AUDITOR**

The figures contained in the Group’s interim condensed consolidated balance sheet, interim condensed consolidated statement of comprehensive loss and related notes for the six months ended June 30, 2024 as set out in this results announcement are extracted from the interim financial information. The interim financial information for the six months ended June 30, 2024 is unaudited, but has been reviewed by the Company’s auditor, PricewaterhouseCoopers, 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 Hong Kong Institute of Certified Public Accountants.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers	5	179,214	218,925
Cost of sales and services	5,6	<u>(136,658)</u>	<u>(151,625)</u>
<b>Gross profit</b>		<u><b>42,556</b></u>	<u>67,300</u>
Selling and marketing expenses	6	(37,345)	(47,673)
Research and development expenses	6	(21,270)	(27,779)
Administrative expenses	6	(43,727)	(59,475)
Net impairment losses on financial assets		(3,619)	(3,866)
Other income		12,831	705
Other gains/(losses) - net		<u>417</u>	<u>(6,440)</u>
<b>Operating loss</b>		<u><b>(50,157)</b></u>	<u>(77,228)</u>
Finance income		8,498	2,442
Finance costs		<u>(14,041)</u>	<u>(19,275)</u>
Finance costs – net		(5,543)	(16,833)
Share of losses from investments accounted for using the equity method		<u>(4,927)</u>	<u>(2,202)</u>
<b>Loss before income tax</b>		<u><b>(60,627)</b></u>	<u>(96,263)</u>
Income tax credit	7	<u>143</u>	<u>1,261</u>
<b>Loss for the period</b>		<u><b>(60,484)</b></u>	<u>(95,002)</u>
<b>Loss attributable to:</b>			
Owners of the Company		(59,559)	(94,544)
Non-controlling interests		<u>(925)</u>	<u>(458)</u>
		<u><b>(60,484)</b></u>	<u>(95,002)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**(Continued)**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income:</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Currency translation differences of the Company's subsidiaries		(622)	(319)
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences of the Company		<u>4,758</u>	<u>(8,382)</u>
<b>Other comprehensive income for the period, net of tax</b>		<u>4,136</u>	<u>(8,701)</u>
<b>Total comprehensive loss for the period</b>		<u><u>(56,348)</u></u>	<u><u>(103,703)</u></u>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(55,423)	(103,245)
Non-controlling interests		<u>(925)</u>	<u>(458)</u>
		<u><u>(56,348)</u></u>	<u><u>(103,703)</u></u>
<b>Loss per share, basic and diluted (RMB)</b>	<i>8</i>	<u><u>(0.07)</u></u>	<u><u>(0.15)</u></u>

The above interim condensed consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		28,880	28,902
Right-of-use assets	9	62,935	81,939
Intangible assets		2,828	3,184
Deferred income tax assets		1,932	596
Investments accounted for using the equity method		182,066	186,993
Long-term trade receivables	10	8,382	10,073
Prepayments		135	14
		287,158	311,701
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		20,458	38,096
Assets recognized from costs to fulfil a contract		8,433	7,321
Contract assets		4,753	6,080
Trade receivables	11	115,789	151,809
Financial assets at fair value through profit or loss		153,545	144,205
Other receivables		45,942	47,737
Prepayments		7,413	6,089
Other current assets		8,406	6,505
Cash and cash equivalents		575,930	676,794
Restricted deposits		233	1,674
		940,902	1,086,310
<b>Total current assets</b>			
		1,228,060	1,398,011
<b>Total assets</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		1,125	1,125
Share premium		2,543,431	2,543,431
Other reserves		354,185	340,865
Accumulated losses		(2,516,836)	(2,457,277)
		381,905	428,144
<b>Non-controlling interests</b>			
		4,662	5,589
<b>Total equity</b>			
		386,567	433,733

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	<i>Note</i>	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		29,950	269,850
Lease liabilities	9	44,715	62,072
Contract liabilities		12,411	14,486
Deferred income		4,420	4,420
Deferred income tax liabilities		1,473	602
Long-term trade payables		176	–
<b>Total non-current liabilities</b>		<b>93,145</b>	<b>351,430</b>
<b>Current liabilities</b>			
Short-term borrowings		480,060	240,135
Contract liabilities		33,318	31,802
Trade payables	12	162,712	238,652
Other payables and accruals		48,332	68,816
Lease liabilities	9	23,156	27,708
Income tax payables		300	5,699
Long-term trade payables – current portion		421	–
Other current liabilities		49	36
<b>Total current liabilities</b>		<b>748,348</b>	<b>612,848</b>
<b>Total liabilities</b>		<b>841,493</b>	<b>964,278</b>
<b>Total equity and liabilities</b>		<b>1,228,060</b>	<b>1,398,011</b>

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

The Company, an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in provision of the following services: (i) Medical services; (ii) Nursing services; and (iii) Health management services in the People’s Republic of China (the “PRC”).

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

## 2 BASIS OF PREPARATION

### (a) Compliance with HKAS

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting”. The interim condensed consolidated financial information does not include all notes of the type normally included in an annual financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and any public announcements made by the Company during the interim reporting period.

## 3 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those presented in the Group’s consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with the HKFRSs issued by the HKICPA, except for the adoption of new and amended standards as set out below.

### (a) New standards and amendments adopted by the Group

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2024:

- Amendments to HKAS 1 – Classification of liabilities as current or non-current and non-current liabilities with Covenants
- Hong Kong Interpretation 5 (Revised) - Presentation of Financial Statements -Classification by the borrower of a term loan that contains a repayment on demand clause
- Presentation of Financial Statements
- Amendments to HKFRS 16 – Lease liability in a sale and leaseback
- Amendments to HKAS 7 and HKFRS 7 – Supplier finance arrangements

The adoption of these new standards and amendments had no material impact on the Group’s interim condensed consolidated financial information.

**(b) New standards, amendments to existing standards and interpretations not yet adopted**

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group for the period ended 30 June 2024 are as follows:

**Effective for accounting periods beginning on or after**

Amendments to HKAS 21	Lack of exchangeability	1 January 2025
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The directors of the Company anticipate that the application of the above new standard, amendments and annual improvements will have no material impact on the Group's interim condensed consolidated financial information in the foreseeable future.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's material accounting policy information and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 2023.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

**5 SEGMENT INFORMATION**

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

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

- Medical services
- Nursing services
- Health management services

CODM has changed the structure of internal organization in a manner that causes the composition of the Group's segments to change. During the reporting period, on the basis of understanding the strategic positioning and advantages of the Group, the fast-developing Home Care services was upgraded into an independent segment. At the same time, the cloud hospital platform service and internet medical services (excluding home care services) were integrated into medical services segment. And smart healthcare products was merged into the health management services segment to further increase the capability of resource integration and the synergistic effect of the business. The corresponding items of segment information for earlier period has been restated.

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

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

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

The revenue segment information reported to CODM for the six months ended 30 June 2024 and 30 June 2023 is as follows:

	<b>Six months ended 30 June 2024</b>			
	<b>Medical services</b>	<b>Nursing services</b>	<b>Health management services</b>	<b>Total</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers	87,615	24,478	67,121	179,214
Cost of sales and services	<u>(72,079)</u>	<u>(17,955)</u>	<u>(46,624)</u>	<u>(136,658)</u>
Gross profit	<u><u>15,536</u></u>	<u><u>6,523</u></u>	<u><u>20,497</u></u>	<u><u>42,556</u></u>
	<b>Six months ended 30 June 2023</b>			
	<b>Medical services</b>	<b>Nursing services</b>	<b>Health management services</b>	<b>Total</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customer	112,131	10,966	95,828	218,925
Cost of sales and services	<u>(86,110)</u>	<u>(5,035)</u>	<u>(60,480)</u>	<u>(151,625)</u>
Gross profit	<u><u>26,021</u></u>	<u><u>5,931</u></u>	<u><u>35,348</u></u>	<u><u>67,300</u></u>

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

There are no differences from the last Group's consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

As at 30 June 2024, substantially all of the non-current assets of the Group were located in the PRC.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Segment revenue		
– recognized over time	9,063	9,802
– recognized at a point in time	<u>170,151</u>	<u>209,123</u>
	<u><u>179,214</u></u>	<u><u>218,925</u></u>

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

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

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Contract assets (i)		
Medical services	5,482	5,867
Nursing services	119	62
Health management services	1,129	1,913
	<hr/>	<hr/>
Less: allowance for impairment of contract assets	(1,977)	(1,762)
	<hr/>	<hr/>
	<b>4,753</b>	<b>6,080</b>
	<hr/> <hr/>	<hr/> <hr/>
Contract liabilities (ii)		
Medical services	12,954	7,446
Nursing services	722	450
Health management services	32,053	38,392
Less: contract liabilities non-current	(12,411)	(14,486)
	<hr/>	<hr/>
	<b>33,318</b>	<b>31,802</b>
	<hr/> <hr/>	<hr/> <hr/>
Assets recognized from costs to fulfil a contract (iii)		
Cloud hospital platform services	8,433	7,321
	<hr/> <hr/>	<hr/> <hr/>

- (i) Contract assets are the Company's right to consideration in exchange for goods or services that the Company has transferred to the customer.
- (ii) Contract liabilities mainly arise from the advanced payments from customers of the i) medical services; ii) nursing services, and iii) health management services upon which the performance obligations have been established while the underlying services are yet to be provided.
- (iii) The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. They were therefore recognized as an asset from costs to fulfil a contract. For the six months ended 30 June 2024 and 30 June 2023, assets recognized as cost are RMB8.4 million and RMB12.1 million, respectively.

**(c) Revenue recognized in relation to contract liabilities**

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

	<b>Six months ended 30 June 2024 RMB'000 (Unaudited)</b>	<b>2023 RMB'000 (Unaudited)</b>
Medical services	1,657	4,355
Nursing services	349	225
Health management services	11,336	13,952
	<hr/>	<hr/>
Total	<b>13,342</b>	<b>18,532</b>
	<hr/> <hr/>	<hr/> <hr/>

## 6 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of sales of hardware, software, raw materials and others	110,765	121,548
Employee benefits expenses	86,581	111,125
Depreciation of right-of-use assets	10,824	11,668
Share-based compensation expenses	9,182	9,747
Travelling, entertainment, service fee and general office expenses	8,432	7,629
Depreciation of property, plant and equipment	4,046	6,045
Short-term leases and other property service expenses	2,184	3,558
Amortization of intangible assets	344	372
Taxes and surcharges	180	223
Listing expenses	–	10,100
Others	6,462	4,537
	<u>239,000</u>	<u>286,552</u>

## 7 INCOME TAX CREDIT

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax expense	322	548
Deferred income tax credit	(465)	(1,809)
	<u>(143)</u>	<u>(1,261)</u>

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

### Cayman Islands

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

### Hong Kong

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended 30 June 2024 and 30 June 2023.

### Mainland China

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the six months ended 30 June 2024 and 30 June 2023, based on the existing legislation, interpretations and practices in respect thereof.

On 15 November 2022, Xikang Healthcare Technology Co., Ltd. (formerly known as “Neusoft Xikang Healthcare Technology Co., Ltd.”) was qualified as “High and New Technology Enterprises” (“HNTEs”) under the relevant PRC laws and regulations. Accordingly, the entity was entitled to a preferential income tax rate of 15% during the year ended 2022, 2023 and 2024. This status is subject to a requirement that Xikang Healthcare Technology Co., Ltd. reapplies for HNTEs status every three years.

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

## 8 LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 30 June 2023.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to owners of the Company for the period (RMB'000)	<b>(59,559)</b>	(94,544)
Weighted average number of ordinary shares in issue ('000)	<b>841,877</b>	621,198
Basic loss per share (RMB)	<b><u>(0.07)</u></b>	<u>(0.15)</u>

### (b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2024 and 30 June 2023 were the same as the basic earnings per share as the Group incurred losses for the six months ended 30 June 2024 and 30 June 2023, the dilutive potential ordinary share, such as restricted share units (the "RSUs") and options, were not included in the calculation of diluted loss per share because they are anti-dilutive.

## 9 LEASES

### (a) Amounts recognized in the interim condensed consolidated balance sheets

	<b>As at 30 June</b>	<b>As at 31 December</b>
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Right-of-use assets (i)</b>		
Buildings	<b><u>62,935</u></b>	<u>81,939</u>
<b>Lease liabilities</b>		
Current	<b>23,156</b>	27,708
Non-current	<b><u>44,715</u></b>	<u>62,072</u>
	<b><u>67,871</u></b>	<u>89,780</u>



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

	<b>Six months ended 30 June 2024 RMB'000 (Unaudited)</b>
<b>Cost</b>	
At beginning of the period	125,693
Termination of lease contracts	<u>(10,965)</u>
At end of the period	<u>114,728</u>
<b>Accumulated depreciation</b>	
At beginning of the period	(43,754)
Depreciation charge for the period	(10,824)
Termination of lease contracts	<u>2,785</u>
At end of the period	<u>(51,793)</u>
<b>Net book amount</b>	<u><u>62,935</u></u>

(b) Amounts recognized in the interim condensed consolidated statement of comprehensive loss

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation charge of right-of-use assets	10,824	11,668
Interest expense	2,080	1,656

**10 LONG-TERM TRADE RECEIVABLES**

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Long-term trade receivables from contracts with customers i)		
– Third parties	15,166	20,228
Less: allowance for impairment of long-term trade receivables	(2,508)	(3,886)
Less: other current asset	<u>(4,276)</u>	<u>(6,269)</u>
	<u><u>8,382</u></u>	<u><u>10,073</u></u>

- i) The Group signed contracts with medical institutions in relation to the sales of smart healthcare products. According to the payment terms in the contracts, the total consideration of the sales of smart healthcare products will be collected within 3 years.

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
– Up to 3 months	–	–
– 3 months to 1 year	681	663
– 1-2 years	5,728	9,315
– 2-3 years	8,757	10,250
– Less: allowance for impairment of long-term trade receivables	(2,508)	(3,886)
– Less: other current asset	(4,276)	(6,269)
	<hr/>	<hr/>
Total	<b>8,382</b>	<b>10,073</b>
	<hr/> <hr/>	<hr/> <hr/>

## 11 TRADE RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade receivables from contracts with customers		
– Third parties	209,539	236,869
– Related parties	7,045	9,369
Less: allowance for impairment of trade receivables	(100,795)	(94,429)
	<hr/>	<hr/>
	<b>115,789</b>	<b>151,809</b>
	<hr/> <hr/>	<hr/> <hr/>

(a) The credit terms given to trade customers are determined on an individual basis. The normal credit period of trade receivables is mainly from 90 days to one year. The aging analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
– Up to 3 months	35,745	58,027
– 3 months to 1 year	34,224	58,040
– 1-2 years	62,898	60,084
– 2-3 years	36,168	25,599
– 3-4 years	9,119	5,272
– 4-5 years	14,368	15,237
– Over 5 years	24,062	23,979
	<hr/>	<hr/>
	<b>216,584</b>	<b>246,238</b>
Less: allowance for impairment of trade receivables	(100,795)	(94,429)
	<hr/>	<hr/>
Total	<b>115,789</b>	<b>151,809</b>
	<hr/> <hr/>	<hr/> <hr/>

## 12 TRADE PAYABLES

Aging analysis of trade payables based on recorded date is as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
– Up to 3 months	58,619	91,783
– 3 to 6 months	16,869	40,006
– 6 months to 1 year	24,325	44,136
– 1 to 2 years	44,665	45,896
– 2 to 3 years	12,887	15,408
– Over 3 years	5,347	1,423
	<u>162,712</u>	<u>238,652</u>

## 13 DIVIDENDS

No dividend has been paid or declared by the Company or the companies now comprising the Group for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

## 14 SUBSEQUENT EVENTS

On 15 July 2024, 29,465,000 Share options were granted to certain 216 employees of the Group at a consideration of HK\$1.14 per share. Under the employee incentive plan, the 216 employees are granted options which only vest if certain service and performance conditions are met. The total expenses arising from the share options would be amounting to RMB14 million over the vesting period.

## PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <https://www.xikang.com/>. The interim report of the Company for the six months ended June 30, 2024 will be published on the aforesaid websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Xikang Cloud Hospital Holdings Inc.**  
**Dr. LIU Jiren**  
*Chairman and Non-executive Director*

Hong Kong, August 29, 2024

*As at the date of this announcement, the board of directors of the Company comprises Ms. ZONG Wenhong as an executive Director; Dr. LIU Jiren, Mr. XU Hongli, Dr. WANG Nan, Mr. PU Chengchuan and Dr. CHEN Lianyong as non-executive Directors; and Dr. CHEN Yan, Dr. QI Guoxian and Dr. YIN Guisheng as independent non-executive Directors.*