This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in our [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this section are defined or explained in the section headed "Definitions" in this document.

OVERVIEW

We are a medical imaging solutions provider, principally engaged in providing medical imaging film products and medical imaging cloud services in Shandong Province. In respect of our medical imaging film products business, our Group engages in the distribution of medical imaging film products from international brands, in particular, the Medical Imaging Products Manufacturer*(Note)* and the sale of our self-branded medical imaging film products. For our distribution business, our Group was the Tier-2 distributor of the Medical Imaging Products Manufacturer in Shandong Province. In respect of our medical imaging cloud services business, our Group was the third largest medical imaging cloud services supplier in Shandong Province with a market share of approximately 4.7% and had a market share of approximately 0.4% in China, in terms of sales revenue in 2021. Our Group plans to focus its business in Shandong Province.

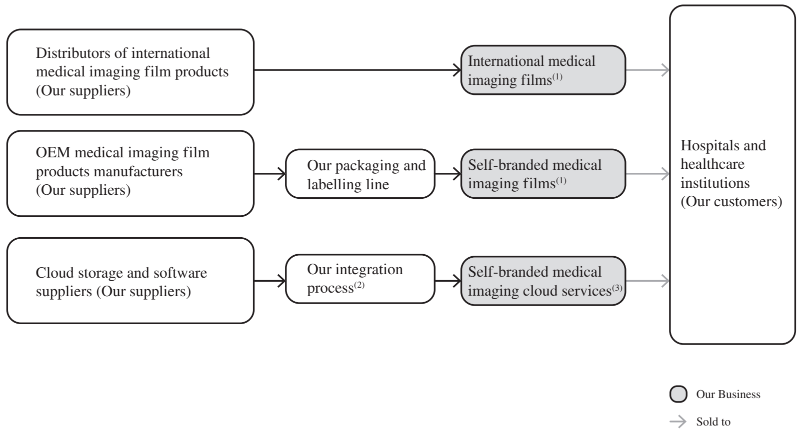
We have been the distributor of international medical imaging film products since 2016. Leveraging on our established customer base in the medical imaging market in Shandong Province and with a view to increasing our profitability, we have provided our self-branded medical imaging film products to our customers in Shandong Province since 2018. The sale of the medical imaging film products of the Medical Imaging Products Manufacturer constituted approximately 89%, 76%, 72% and 68% of our revenue under the medical imaging film products business segment during the three years ended 31 December 2021 and the six months ended 30 June 2022 and the sale of medical imaging film products of our own brand constituted approximately 9%, 19%, 28% and 32% of our revenue under the medical imaging film products business segment during the same periods. Except for the minimal revenue generated from the sale of medical imaging film products of another international brand during the two financial years ended 31 December 2020, our Group has only distributed medical imaging film products of the Medical Imaging Products Manufacturer since 2021.

Having established a market position in the medical imaging film products market in Shandong Province and by riding on the increasing demand for medical imaging informatisation and medical imaging cloud platform, we tapped into the medical imaging cloud services market by providing hospitals and healthcare institutions with medical imaging cloud services in 2017. With an aim to quickly penetrate into the market, we provide such services in the course of the sale of medical imaging films. Our Directors believe that such services help digitise the medical images and thereby enable medical practitioners and patients to access patients' information anytime anywhere and increase the efficiency and accuracy of diagnosis and treatment. Our Directors also believe that such a sales model will increase customers stickiness.

As at 31 December 2019, 2020 and 2021, 30 June 2022 and as at the Latest Practicable Date, we had 61, 63, 62, 57 and 61 hospitals and/or healthcare institutions customers. Out of the 61, 63, 62, 57 and 61 customers, 42, 51, 53, 53 and 55 customers also subscribed for our medical imaging cloud service for the same year/period.

Note: Established in 1901, it is a medical imaging products manufacturer and medical information technology solutions provider with its headquarters located in USA.

The following diagram illustrates our main business model.



Notes:

(1) In the course of the sale of medical imaging films, depending on our customers' needs, we will provide the corresponding self-service film output printer and/or medical image printer to them and our customers are not charged for the corresponding equipment. Occasionally, we also provide medical image data distribution system (including CDs) without charging our customers. The ownership of the equipment belongs to our Group. In the event of termination/discontinuation of the business relationship with our customers, the equipment provided to our customers during the course of the sale of medical imaging films are required to be returned. The reason for providing the corresponding self-service film output printer and medical image printer is to avoid incompatibility and distortion of images due to the use of different brands of medical imaging films, self-service film output printer and/or medical image printer. According to CIC, such a sales model is in line with the industry practise.

(2) To connect the software and the existing information technology systems of our customers, our integration process includes (i) installing the software to the existing information technology systems of our customers and formulating an application programme interface (API); and (ii) installing a hard drive called front-end processor on-site.

(3) Medical practitioners and patients can retrieve the medical data from the digital medical imaging cloud storage platform provided by us.

(i) Sale of medical imaging films

We engage in the sale of (i) medical imaging films procured from international brands, including the Medical Imaging Products Manufacturer and (ii) medical imaging films under our own "冠澤慧醫" (Guanze Huiyi) brand to hospitals and healthcare institutions. In the course of the sale of medical imaging films, depending on our customers' needs, we will provide the corresponding self-service film output printer and/or medical image printer to them and our customers are not charged for the corresponding equipment. Occasionally, we also provide medical image data distribution system (including CDs) without charging our customers.

Our self-branded medical imaging films are manufactured by OEM manufacturers, and further packaged and labelled by us while our self-branded medical imaging printers are manufactured by OEM manufacturers.

(ii) Provision of medical imaging cloud services

Further, we will also offer four types of medical imaging cloud services including (i) digital medical imaging cloud storage platform; (ii) digital medical image platform; (iii) regional imaging diagrams platform; and (iv) PACS system, in the course of the sale of medical imaging films.

Revenue generated by our products and services

During the Track Record Period, the medical imaging film products business segment accounted for the majority of our revenue. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our sale of medical imaging film products accounted for approximately 91.5%, 93.7%, 93.3% and 94.1%, respectively, of our total revenue, and our provision of medical imaging cloud services accounted for approximately 8.5%, 6.3%, 6.7% and 5.9%, respectively, of our total revenue. The table below sets out our revenue of our products and services during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sale of medical imaging film products										
— Sale of medical imaging films	127,138	90.3	165,675	89.8	196,361	93.0	100,503	94.1	92,621	93.9
— Others *(Note)*	1,771	1.2	7,120	3.9	565	0.3	62	0.1	149	0.2
Sub-total	128,909	91.5	172,795	93.7	196,926	93.3	100,565	94.2	92,770	94.1
Provision of medical imaging cloud services	11,916	8.5	11,640	6.3	14,150	6.7	6,163	5.8	5,851	5.9
Total	140,825	100.0	184,435	100.0	211,076	100.0	106,728	100.0	98,621	100.0

Note: Others mainly refer to the sale of self-service film output printer, medical image printer, medical image data distribution system, other medical devices and CDs and the maintenance fees and rental income of medical devices. Upon the sale of equipment, the ownership of equipment belongs to the purchasers.

Gross profit and gross profit margin of our products and services

The following table sets forth details of our Group's gross profit and gross profit margin derived from each business segment during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June					
	2019			2020			2021			2021			2022		
	Gross profit RMB'000	*%*	*Gross profit margin %*	*Gross profit RMB'000*	*%*	*Gross profit margin %*	*Gross profit RMB'000*	*%*	*Gross profit margin %*	*Gross Profit RMB'000* (unaudited)	*%*	*Gross profit margin %*	*Gross Profit RMB'000*	*%*	*Gross profit margin %*
Sales of medical imaging film products															
Third parties' brand *(Note)*	31,914	68.8	27.1	39,800	64.6	28.3	40,744	53.8	28.7	21,315	58.6	28.3	18,181	45.9	28.7
冠洋慧醫 (Guanze Huiyi)	4,644	10.0	41.2	11,979	19.5	37.2	22,910	30.3	41.8	10,070	27.7	40.1	16,546	41.7	56.4
Sub-total	36,558	78.8	28.4	51,779	84.1	30.0	63.654	84.1	32.3	31,385	86.3	31.2	34,727	87.6	37.4
Medical imaging cloud services	9,857	21.2	82.7	9,796	15.9	84.2	12,045	15.9	85.1	5,003	13.7	81.2	4,899	12.4	83.7
Total	46,415	100.0	33.0	61,575	100.0	33.4	75,699	100.0	35.9	36,388	100.0	34.1	39,626	100.0	40.2

Note: Except for the minimal revenue generated from the sale of medical imaging film products of another international brand for the two financial years ended 31 December 2020, our Group only distributed medical imaging film products of the Medical Imaging Products Manufacturer.

Our gross profit from the medical imaging film products segment increased from approximately RMB36.6 million for the year ended 31 December 2019 to approximately RMB51.8 million for the year ended 31 December 2020 which was in line with the increase in revenue in the same period, while our gross profit margin of the same segment increased slightly from approximately 28.4% to approximately 30.0% for the same period, primarily attributable to the decrease in our purchase of medical imaging films from third parties' brand medical imaging films suppliers as a result of the continued growth of our self-branded products which led to a slower growth in cost of inventories sold as compared to our revenue.

Our gross profit from the medical imaging film products segment increased from approximately RMB51.8 million for the year ended 31 December 2020 to approximately RMB63.7 million for the year ended 31 December 2021 which was in line with the increase in revenue for the same period, while our gross profit margin of the same segment increased from approximately 30% to approximately 32.3% for the same period, primarily attributable to an increase in the sales volume of our self-branded medical imaging films, which had a higher gross profit margin as compared to the gross profit margin of the sale of third parties' brand medical imaging films.

Our gross profit from the medical imaging film products segment increased from approximately RMB31.4 million for the six months ended 30 June 2021 to approximately RMB34.7 million for the six months ended 30 June 2022, primarily attributable to an increase in gross profit margin from approximately 31.2% for the six months ended 30 June 2021 to approximately 37.4% for the six months ended 30 June 2022. Such an increase in gross profit margin was due to the significant decrease in cost of sales, resulting from (i) the decrease in average procurement cost of our self-branded thermal films resulting from a larger purchase volume of self-branded thermal films procured from Supplier G, a local OEM manufacturer, who is able to offer a lower average selling price as compared to other international OEM manufacturers and (ii) the decrease in average cost brought by the rebate from Supplier B according to our rebate arrangement with them, while the average selling price of our self-branded medical imaging films remained stable.

Our gross profit from the medical imaging cloud services segment slightly decreased from approximately RMB9.9 million for the year ended 31 December 2019 to approximately RMB9.8 million for the year ended 31 December 2020, which is in line with our decrease in revenue for the same segment. Our gross profit margin of the same segment slightly increased from approximately 82.7% to approximately 84.2% for the same period, which is relatively stable.

Our gross profit from the medical imaging cloud services segment slightly increased from approximately RMB9.8 million for the year ended 31 December 2020 to approximately RMB12.0 million for the year ended 31 December 2021, and our gross profit margin of the same segment increased slightly from approximately 84.2% to approximately 85.1% for the same period, which is relatively stable.

Our gross profit from the medical imaging cloud services segment remained stable at approximately RMB5.0 million for the six months ended 30 June 2021 and 2022 while the gross profit margin for the same segment increased from approximately 81.2% for the six months ended 30 June 2021 to approximately 83.7% for the six months ended 30 June 2022. Such an increase in gross profit margin was due to the decrease in the technical service cost, resulting from the decrease in labour cost of our technical staff as a result of our stable customer base and smooth operation of cloud system.

OUR CUSTOMERS

Our customers primarily comprise hospitals and healthcare institutions in Shandong Province. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our revenue generated from our five largest customers amounted to approximately RMB62.7 million, RMB79.5 million, RMB86.4 million and RMB42.7 million, respectively, representing approximately 44.5%, 43.2%, 41.0% and 43.3% of our total revenue, respectively, and our revenue generated from our largest customer was approximately RMB16.6 million, RMB21.9 million, RMB25.6 million and RMB12.5 million, respectively, representing approximately 11.8%, 11.9%, 12.2% and 12.7% of our total revenue, respectively. We have maintained business relationships with our five largest customers for a period ranging from approximately 5 to 7 years.

For further details, please refer to the paragraph headed "Business — Our Customers" in this document.

OUR SUPPLIERS

Our suppliers primarily comprise distributors of international medical imaging film products, OEM medical imaging film products manufacturers and software companies. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our purchases from the five largest supplier amounted to approximately RMB108.2 million, RMB107.6 million, RMB126.6 million and RMB49.8 million, respectively, accounted for approximately 98.0%, 98.0%, 98.9% and 98.3% of our total purchases, respectively. We have maintained business relationships with our five largest suppliers ranging from 1 to 6 years.

During the Track Record Period, we entered into two distributorship agreements with the Tier-1 distributors of the Medical Imaging Products Manufacturer and another international brand, which were Honghe Group and Supplier C. The two suppliers authorised us as a Tier-2 distributor of its medical imaging film products in Shandong Province. As at the Latest Practicable Date, we entered into one distributorship agreement with the distributor of the Medical Imaging Products Manufacturer, which is Honghe Group.

For further details, please refer to the paragraph headed "Business — Our Suppliers" in this document.

RELATIONSHIP WITH HONGHE GROUP

Our relationship with Honghe Group dated back to 2017. Honghe Group, an Independent Third Party, is our top supplier during the Track Record Period. We sourced medical imaging film products for distributing to our customers from Honghe Group, which is a Tier-1 distributor of the Medical Imaging Products Manufacturer, during the Track Record Period. According to Honghe Group, it has all along been the Tier-1 distributor of the Medical Imaging Products Manufacturer for 23 years. Our purchase from Honghe Group during the Track Record Period amounted to approximately RMB91.8 million, RMB84.5 million, RMB94.5 million and RMB37.0 million, respectively, accounting for approximately 83.1%, 77.0%, 73.8% and 73.0% of our total purchases during the same periods, respectively. Such reliance is expected to continue going forward. Our Directors are of the view that, despite our concentration of purchase from Honghe Group, we are able to maintain the sustainability of our business operation due to the following factors: (i) the commencement of the sale of our self-branded medical dry laser film and our plan to utilise part of the [REDACTED] to establish our market presence of our self-branded medical imaging film products in East Shandong. During the Track Record Period, our revenue attributable to the medical imaging film products under our brand were approximately RMB11.3 million, RMB32.2 million, RMB54.8 million and RMB29.3 million, respectively, representing approximately 9%, 19%, 28% and 32% of our revenue under the medical imaging film products business segment, respectively, which exhibited an increasing trend; (ii) the mutual reliance between our Group and Honghe Group. During the Track Record Period, as confirmed by Honghe Group, our purchase from Honghe Group accounted for approximately 50% of our Honghe Group's total sales revenue and we ranked the first among the customers of Honghe Group in terms of its sales revenue; (iii) the ten-year framework agreement entered into with Honghe Group; (iv) our flexibility and plans to source from alternative suppliers; and (v) there was no non-competition clause in the framework distributorship agreements entered into between our Group and Honghe Group during the Track Record Period. For details, please refer to the paragraph headed "Business — Our Suppliers — Relationship with Honghe Group" in this document. Please also refer to the section headed "Risk Factors — Risks relating to our business and operations — Our largest supplier accounted for over 70% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected" in this document for our supplier concentration risk.

TWO INVOICE SYSTEM

On 30 September 2019, ten local government departments of Shandong Province including Health Committee of Shandong Province (山東省衛生健康委員會) (the "**Health Committee**") issued the Notice on "Two Invoice System" Implementation Plan in Medicines Procurement by Public Medical Institutions in Shandong Province (《關於印發〈山東省公立醫療機構藥品採購推行"兩票制"實施方案〉的通知》), which stipulates that all public medical institutions in Shandong Province shall implement the "Two Invoice System" on the procurement of drugs from 30 October 2019. As at the Latest Practicable Date, according to the Health Committee, Shandong Province was yet to implement the "Two Invoice System" on the procurement of high-value or low-value medical consumables and it has no concrete plan to implement the "Two Invoice System" on the procurement of medical consumables in Shandong Province. As advised by our PRC Legal Advisers, the Health Committee is the competent authority to consult with in respect of the implementation of the "Two Invoice System" in Shandong Province.

Given other provinces such as Anhui Province and Fujian Province have implemented "Two Invoice System" on high-value medical consumables as at the Latest Practicable Date, the implementation of such policy in Shandong Province may be faster than expected. For details of the regulatory development regarding the implementation of the "Two Invoice System" for each of the provinces in the PRC at the Latest Practicable Date, please refer to the section headed "Regulatory Overview — Laws and Regulations relating to Medical Devices — Two Invoice System" in this document.

Except for our self-branded products and our provision of maintenance services, we sourced medical dry laser films and self-service film output printers from Honghe Group, the Tier-1 distributor of the Medical Imaging Products Manufacturer in Shandong Province, as at the Latest Practicable Date. For details on the potential impact of the "Two Invoice System" on our current business operation, please refer to the section headed "Business — Two Invoice System" in this document.

In the event that the "Two Invoice System" is fully implemented, sale from the Medical Imaging Products Manufacturer to Honghe Group are likely to be counted as the first invoice, sale from Honghe Group to our Group will likely to be counted as the second invoice and our sale of medical imaging film products from the Medical Imaging Products Manufacturer will possibly to be counted as the third invoice which is not permitted under the "Two Invoice System", and we may have to discontinue such mode of business operation. During the Track Record Period, our revenue attributable to the sale of medical imaging film products of the Medical Imaging Products Manufacturer were approximately RMB114.8 million, RMB131.0 million, RMB142.1 million and RMB63.4 million, respectively, representing approximately 89.1%, 75.8%, 72.1% and 68.4% of the total revenue of our sale of medical imaging film products business and approximately 81.5%, 71.1%, 67.3% and 64.3% of our total revenue for the same periods, respectively. In the event that the "Two Invoice System" is fully implemented, our Group's business operation and financial performance going forward may be adversely affected.

Nevertheless, we will adopt the following measures to mitigate the adverse impacts that may result from the implementation of the "Two Invoice System" to the medical imaging products industry in Shandong Province:

(i) In the event of the full implementation of the "Two-Invoice System" in Shandong Province, Medical Imaging Products Manufacturer confirmed by written confirmation that we will be engaged as its Tier-1 distributor without imposing any non-competition clause on us.

    Despite our Group has received a written confirmation from the Medical Imaging Products Manufacturer that we will be engaged as its Tier-1 distributor in the event of the full implementation of "Two Invoice System" in Shandong Province, it is not a guarantee engagement as our Group is required to follow the procedural requirements as detailed in the section headed "Business — Two Invoice System" in this document before becoming its Tier-1 distributor.

(ii) We will develop our direct business relationship with the other international manufacturers, which principally engage in the manufacturing of medical dry laser films and self-service film output printers instead of sourcing products through their distributors by actively participating in trade fairs and exhibitions.

(iii) We will further develop our self-branded products business to strengthen our position as a domestic medical imaging products supplier in Shandong Province.

(iv) Given the expected growth in the medical imaging cloud services market, we are actively developing our business segment of medical imaging cloud services in order to diversify the risks of the implementation of the "Two Invoice System".

For details of the mitigating measures, please refer to the section headed "Business — Two Invoice System" in this document.

SALES AND MARKETING

During the Track Record Period, our products and services were ultimately provided to hospitals and healthcare institutions, either directly or through deliverers. In general, we secure sales orders through (a) tendering, which includes, open tender and tender by invitation or (b) quotation. For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 99.2%, 92.5%, 79.8% and 77.2% of our total revenue was generated from contracts awarded through quotation. For further details, please refer to the paragraph headed "Business — Our Business Workflow — Quotation/Tender Process" in this document.

PRICING

In general, we adopt a "cost-plus" pricing policy. In respect of our medical imaging film products business, we take into account the costs of procuring international medical imaging film products and the regional market prices of competitors for our distribution business whilst for our self-branded products business, we consider our OEM expenses, our packaging, labelling and/or assembly costs and the regional market prices of competitors. In respect of our medical imaging cloud services business, the price of our cloud services is charged at a range of premium rate of the unit selling price of each medical imaging film procured by our customers from us with reference to the following factors: (i) the type(s) of the services we are requested to provide, (ii) the quantities of the medical imaging films customers procured from us (if any), and (iii) the costs of providing medical imaging cloud services.

COMPETITIVE LANDSCAPE

The medical imaging film products market in Shandong Province is highly concentrated on a number of medical imaging film manufacturers in the market, with the top two companies accounting for approximately 85.0% of the market share in terms of sales revenue in 2021, and the medical imaging cloud services market in Shandong Province remains to be fragmented. The top three medical imaging cloud services providers in Shandong Province (including our Group) accounted for approximately 16.4% of the market share in terms of sales revenue in 2021.

For details of the competitive landscape of the industry, please refer to the paragraph headed "Industry Overview" in this document.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- the only provider in Shandong Province which provides medical imaging film products together with medical imaging cloud services
- an early mover to the medical imaging cloud services market in Shandong Province
- well-positioned to capture the opportunities in Shandong Province
- stable and established business relationship with our customers and international medical imaging film products suppliers
- capable to supply self-branded medical imaging film products to vertically integrate our medical imaging film products supply chain
- experienced and committed professional management and sales team with proven track record

For further details, please refer to the paragraph headed "Business — Our Competitive Strengths" in this document.

OUR STRATEGIES

We intend to adopt the following strategies to further develop our business:

- expand our customer base and further consolidate our market presence in Shandong Province by expanding to the eastern part of Shandong Province
- enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software
- horizontally expand our value chain by broadening our product offerings
- continue to promote our brands and increase market awareness by participating in exhibitions
- upgrade our information technology systems

For further details, please refer to the paragraph headed "Business — Our Business Strategies" in this document.

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth the consolidated financial information of our Group for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022 and should be read in conjunction with the financial information included in the Accountants' Report as set out in Appendix I to this document:

Consolidated statements of profit or loss

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
REVENUE	140,825	184,435	211,076	106,728	98,621
Cost of sales	(94,410)	(122,860)	(135,377)	(70,340)	(58,995)
Gross profit	46,415	61,575	75,699	36,388	39,626
PROFIT BEFORE TAX	29,595	39,003	33,057	16,033	21,494
Income tax expense	(7,271)	(9,960)	(9,989)	(4,866)	(6,092)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	22,324	29,043	23,068	11,167	15,402
Attributable to:					
Owners of the parent	22,324	29,043	22,935	11,095	15,316
Non-controlling interests	—	—	133	72	86
	22,324	29,043	23,068	11,167	15,402

Our Group's revenue is generated from the sale of medical imaging film products and the provision of medical imaging cloud services. Our revenue increased by approximately RMB43.6 million or 31.0% from approximately RMB140.8 million for the year ended 31 December 2019 to RMB184.4 million for the year ended 31 December 2020, which was mainly attributable to (i) the increase in demand for our medical imaging film products along with the growth in the medical imaging industry; (ii) the increase in clinical CT diagnosis brought by the outbreak of COVID-19, which created more demand on our thermal films and medical dry laser films; and (iii) our effort to promote our self-branded thermal films, which recorded a substantial increase in sales volume.

Our revenue increased by approximately RMB26.7 million, or 14.5%, from approximately RMB184.4 million for the year ended 31 December 2020 to approximately RMB211.1 million for the year ended 31 December 2021, which was mainly attributable to (i) the increased demand of medical imaging film from our customers and (ii) the significant increase in the sale of our thermal films which is due to our focus on our self-branded thermal film.

Our revenue decreased slightly by approximately RMB8.1 million, or 7.6%, from approximately RMB106.7 million for the six months ended 30 June 2021 to approximately RMB98.6 million for the six months ended 30 June 2022, which was mainly attributable to the decrease in average selling price of our medical dry laser film as (i) two of our five largest customers, namely Jining No.1 Hospital and Jining Affiliated Hospital, shifted their demand to other models of medical dry laser film of Medical Imaging Products Manufacturer (namely AMB and DVS model), which (a) are sold at a lower selling price than the medical dry laser film they procured in the past (namely DVB model) and (b) have been distributed to our customers since late May 2021; and (ii) some of our customer who procured medical dry laser film of the Medical Imaging Products Manufacturer in the past shifted their desire to purchase our self-branded medical dry laser film which were sold at a lower unit price.

Our gross profit increased by approximately RMB15.2 million, or 32.8%, from approximately RMB46.4 million for the year ended 31 December 2019 to approximately RMB61.6 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in our gross profit for the sale of medical imaging film products from approximately RMB36.6 million for the year ended 31 December 2019 to approximately RMB51.8 million for the year ended 31 December 2020, primarily attributable to the decrease in our purchase of medical imaging films from third parties' brand medical imaging films suppliers as a result of the continued growth of our self-branded products which led to a slower growth in cost of inventories sold as compared to our revenue.

Our gross profit increased by approximately RMB14.1 million, or 22.9%, from approximately RMB61.6 million for the year ended 31 December 2020 to approximately RMB75.7 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in our gross profit for sale of medical imaging film products from approximately RMB51.8 million for the year ended 31 December 2020 to approximately RMB63.7 million for the year ended 31 December 2021, which was primarily attributable to an increase in the sales volume of our self-branded medical imaging films, which had a higher gross profit margin as compared to the gross profit margin of the sale of third parties' brand medical imaging films.

Our gross profit increased by approximately RMB3.2 million, or 8.8%, from approximately RMB36.4 million for the six months ended 30 June 2021 to approximately RMB39.6 million for the six months ended 30 June 2022, which was primarily due to the significant decrease in cost of sales, resulting from (i) the decrease in procurement cost of our self-branded medical imaging films and (ii) the decrease in average cost brought by the rebate from Supplier B according to our rebate arrangement with them, while the average selling price of our self-branded medical imaging films remained stable.

Our net profit increased from approximately RMB22.3 million for the year ended 31 December 2019 to approximately RMB29.0 million for the year ended 31 December 2020, which was mainly attributable to (i) the increase in our revenue for the reasons mentioned above; and (ii) the increase in our gross profit for the reasons mentioned above.

Our net profit decreased from approximately RMB29.0 million for the year ended 31 December 2020 to approximately RMB23.1 million for the year ended 31 December 2021, which was mainly attributable to (i) the increase in our selling and administrative expenses as a result of the significant increase in our channel fees along with the increase in our sales through deliverers in 2021; and (ii) the increase in our administrative expenses resulting from the expenses we incurred for the preparation of the [REDACTED] and share-based payment in relation to the [REDACTED] Investment made by Tang Operation.

Our net profit increased from approximately RMB11.2 million for the six months ended 30 June 2021 to approximately RMB15.4 million for the six months ended 30 June 2022, which was mainly attributable to (i) the decrease in our cost of sales and (ii) the increase in our gross profit for the reasons mentioned above.

For further details of discussion of revenue and other key items of the consolidated statements of profit or loss and our results of operation during the Track Record Period, please refer to the paragraphs headed "Financial Information — Description of Certain Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income" and "Financial Information — Review of Historical Results of Operation" in this document.

Selected items of the consolidated statements of financial position

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	15,881	28,018	30,563	32,493
Current assets	120,003	125,867	173,488	199,554
Current liabilities	61,587	51,633	41,337	53,955
Net current assets	58,416	74,234	132,151	145,599
Non-current liabilities	—	3,812	154	130
Net assets	74,297	98,440	162,560	177,962
Equity attributable to owners of the parent	74,297	98,440	162,397	177,713
Non-controlling interest	—	—	163	249

Our net current assets increased from approximately RMB132.2 million as at 31 December 2021 to approximately RMB145.6 million as at 30 June 2022, which was primarily attributable to (i) the increase in our trade receivables of approximately RMB29.6 million; and (ii) the occurrence of amount due from a shareholder of RMB8.0 million, as partially offset by (i) the increase in interest-bearing bank borrowing of approximately RMB14.1 million; and (ii) the decrease in inventories of approximately RMB9.1 million.

Our net asset increased from approximately RMB74.3 million as at 31 December 2019 to approximately RMB98.4 million as at 31 December 2020, which was mainly attributable to (i) our profit for the year of approximately RMB29.0 million for the year ended 31 December 2020; and (ii) the capital contributions of approximately RMB33.1 million and approximately RMB0.1 million to Shanghai Guanze by the then shareholders Mr. Meng and Mr. Li, respectively, as partially offset by the capital reductions of approximately RMB36.9 million and approximately RMB1.2 million from Shanghai Guanze to the then shareholders, Mr. Meng and Mr. Li, respectively.

Our net asset further increased from approximately RMB98.4 million as at 31 December 2020 to approximately RMB162.6 million as at 31 December 2021, which was mainly attributable to (i) our profit for the year of approximately RMB23.1 million for the year ended 31 December 2021; (ii) a capital contribution of RMB25 million made to Shandong Guanze by the then shareholder, Mr. Meng; (iii) the investment from Billion Vintage of approximately RMB14.4 million; and (iv) share-based payment of approximately RMB2.1 million in relation to the [REDACTED] Investment made by Tang Operation, as partially offset by distribution of approximately RMB460,000 to Mr. Li.

Our net asset increased from approximately RMB162.6 million as at 31 December 2021 to approximately RMB178.0 million as at 30 June 2022, which was mainly attributable to our profit for the period of approximately RMB15.4 million for the six months ended 30 June 2022.

For details of discussion of key items of the consolidated statements of financial position, please refer to the paragraph headed "Financial Information — Discussion of Certain Items from the Consolidated Statements of Financial Position" in this document.

Highlight of consolidated statements of cash flow

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from/(used in) operating activities	5,511	28,168	3,093	4,579	(2,278)
Net cash used in investing activities	(9,831)	(14,349)	(7,856)	(4,168)	(12,462)
Net cash generated from/(used in) financing activities	(3,868)	(14,792)	19,477	27,281	9,430
Net increase/(decrease) in cash and cash equivalents	(8,188)	(973)	14,714	27,692	(5,310)
Cash and cash equivalents at beginning of the year/period	14,682	6,494	5,521	5,521	20,235
Cash and cash equivalents at end of the year/period	6,494	5,521	20,235	33,213	14,925

Net cash generated from or used in operating activities mainly consists of profit before income tax adjusted for non-cash items, such as depreciation of property, plant and equipment, amortisation of intangible assets, finance costs and interest income, and the effects of changes in working capital, such as the increase or decrease in trade receivables, inventories and trade payables, and the effects of interest received, interest paid and income tax paid. Our net cash generated from operating activities amounted to approximately RMB5.5 million, RMB28.2 million, RMB3.1 million for each of the three years ended 31 December 2021, respectively and our net cash used in operating activities amounted to approximately RMB2.3 million for the six months ended 30 June 2022. The net cash flow used in operating activities was primarily resulted from (i) the cash outflow of approximately RMB2.8 million during the six months ended 30 June 2022 as we repaid the amount due to our suppliers in relation to the purchase of, among others, raw materials; and (ii) the decrease in cash generated from operations as most of our trade receivables were not fall due during the six months ended 30 June 2022.

Net cash used in investing activities mainly consists of purchase and prepayment of items of property, plant and equipment, purchase of intangible assets and purchase of right-of-use assets. Our net cash used in investing activities amounted to approximately RMB9.8 million, RMB14.3 million, RMB7.9 million and RMB12.5 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Net cash used in financing activities mainly consists of our repayment of loans to related parties, repayment to the controlling shareholder and repayment of bank loans. Our net cash used in financing activities amounted to approximately RMB3.9 million and RMB14.8 million for the years ended 31 December 2019 and 2020, respectively. Net cash generated from financing activities mainly consists of loans from the controlling shareholder, new bank loans and investment from a new shareholder. Our net cash generated from financing activities amounted to approximately RMB19.5 million and RMB9.4 million for the year ended 31 December 2021 and the six months ended 30 June 2022, respectively.

For details of discussion of our cash flow activities during the Track Record Period, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Cash flows" in this document.

Summary of key financial ratios

	For the year ended/As at 31 December			For the six months ended/ As at 30 June
	2019	2020	2021	2022
Return on equity	30.0%	29.5%	14.2%	N/A*(Note)*
Return on total assets	16.4%	18.9%	11.2%	N/A*(Note)*
Current ratio	1.9	2.4	4.2	3.7
Quick ratio	1.2	2.0	3.8	3.5
Gearing ratio	1.3%	8.4%	9.2%	16.3%

Note: Such ratios for the six months ended 30 June 2022 are not meaningful and potentially misleading as the underlying income statement measures do not reflect full year results of operations.

For the calculation method and further details of our key financial ratios, please refer to the paragraph headed "Financial Information — Key Financial Ratios" in this document.

Our current ratio increased from 1.9 as at 31 December 2019 to 2.4 as at 31 December 2020, mainly due to the increase in our current asset and decrease in our current liabilities as described in the paragraphs headed "Discussion of certain items from the consolidated statements of financial position" in the section headed "Financial Information". Our current ratio increased from approximately 2.4 as at 31 December 2020 to approximately 4.2 as at 31 December 2021, primarily attributable to (i) the significant increase in cash and cash equivalent resulted from the capital contribution from Mr. Meng; and (ii) the settlement of the amount due to Mr. Meng. Our current ratio decreased from approximately 4.2 as at 31 December 2021 to approximately 3.7 as at 30 June 2022, primarily attributable to (i) the decrease in inventories of approximately RMB9.1 million; (ii) the decrease in cash and cash equivalents of approximately RMB5.3 million; and (iii) the increase in interest-bearing bank borrowings of approximately RMB14.1 million.

Our quick ratio was approximately 1.2, 2.0, 3.8 and 3.5 as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively. The fluctuation of our quick ratio were generally in line with the fluctuation of our current ratio.

Our return on equity remained stable at approximately 30.0% for the year ended 31 December 2019 and approximately 29.5% for the year ended 31 December 2020. Our return on equity significantly decreased from approximately 29.5% for the year ended 31 December 2020 to approximately 14.2% for the year ended 31 December 2021, primarily attributable to (i) the decrease in our profit for the year for the reasons mentioned in the paragraphs headed "Management's discussion and analysis of the results of our operation" in the section headed "Financial Information"; and (ii) the significant increase in our total equity due to the capital contribution of RMB25 million to Shandong Guanze by Mr. Meng and the subscription of Shares by Billion Vantage at a consideration of HK$16.5 million.

Our gearing ratio increased from 1.3% as at 31 December 2019 to 8.4% as at 31 December 2020. The increase in our gearing ratio was mainly due to the increase in our interest-bearing bank borrowings. Our gearing ratio increased slightly from approximately 8.4% as at 31 December 2020 to approximately 9.2% as at 31 December 2021, primarily attributable to the combined effect of (i) the significant increase in interest-bearing bank borrowings; and (ii) the significant increase in our total equity due to the capital contribution of RMB25 million to Shandong Guanze by Mr. Meng and the subscription of share by Billion Vantage at a consideration of HK$16.5 million. Our gearing ratio increased from approximately 9.2% as at 31 December 2021 to approximately 16.3% for the six months ended 30 June 2022, primarily attributable to the balance of interest-bearing borrowing increased from approximately RMB15.0 million as at 31 December 2021 to approximately RMB29.1 million as at 30 June 2022.

Please refer to the sub-section headed “Key Financial Ratios” in the section headed “Financial Information” in this document for further details of our key financial ratios.

OUR REASONS FOR [REDACTED] AND USE OF [REDACTED]

We expect to retrieve [REDACTED] of approximately HK$[REDACTED] million from the [REDACTED] (after deducting [REDACTED] fees and estimated fees payable by us in connection with the [REDACTED], based on an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, and assuming that the [REDACTED] is not exercised). Our Directors believe that the [REDACTED] from the [REDACTED] will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out below. We intend to apply the aforesaid [REDACTED] in the following manner:

— approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to expand our customer base and further consolidate our market presence in Shandong Province by expanding to the eastern part of Shandong Province;

— approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software;

— approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to horizontally expand our value chain by broadening our product offerings;

— approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to continue to promote our brands and increase market awareness by participating in exhibitions;

— approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to upgrade our information technology systems; and

— the remaining balance of approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used for additional working capital and other general corporate purposes.

For details, please refer to the paragraphs headed “Business — Our Business Strategies” and “Future Plans and Use of [REDACTED]” in this document, respectively.

[REDACTED] EXPENSES

Assuming the [REDACTED] is not exercised, the total [REDACTED] in connection with the [REDACTED], which include professional fees, [REDACTED] and fees, assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED] range, are estimated to be RMB[REDACTED] million, which are estimated to be approximately [REDACTED]% of the [REDACTED] from the [REDACTED]. During the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022, the [REDACTED] we incurred amounted to approximately RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million, respectively. We expect to further incur [REDACTED] of RMB[REDACTED] million prior to and upon completion of the [REDACTED], of which (i) RMB[REDACTED] million is expected to be recognised as expenses in our consolidated statement of profit or loss and other comprehensive income for the year ending 31

December 2022; and (ii) RMB[REDACTED] million is expected to be accounted for as a deduction from equity upon [REDACTED] under the relevant accounting standard. The decrease in our forecast profit for the year ending 31 December 2022 is primarily attributable to our [REDACTED] expenses.

The total [REDACTED] mainly comprise of professional fees paid and payable to the professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED] which are non-[REDACTED] related expenses, including fees for legal advisers and reporting accountants of approximately RMB[REDACTED] million, and other non-[REDACTED]-related fees and expenses of approximately RMB[REDACTED] million, as well as the [REDACTED]-related expenses (including SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of approximately RMB[REDACTED] million, payable to the [REDACTED] in connection with the [REDACTED] of Shares under the [REDACTED].

Our Directors would like to emphasise that the [REDACTED] stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2022 would be materially and adversely affected by the [REDACTED] mentioned above.

RISK FACTORS

Our operations and the [REDACTED] involve certain risk and uncertainties, some of which are beyond our control and may affect your decision to [REDACTED] in us or the value of your [REDACTED]. See the section headed "Risk Factors" for details of our risk factors, which we strongly urge you to read in full before making an investment in our [REDACTED]. Some of the major risks we face include:

— Our largest supplier accounted for over 70% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected.

— Our business operation, financial results and our cashflow may be adversely affected if the "Two Invoice System" is fully implemented in medical imaging film products in Shandong Province.

— Rapid changes in the medical imaging industry may render the products we distribute obsolete. If we fail to effectively respond or adapt to market changes for our products, our business, financial position and prospects could be materially and adversely affected.

— Our business depends on the level of activity and growth in the medical imaging industry in Shandong Province.

— Any disruption to the supply, increase in the prices, or quality or safety problems of our raw materials could adversely affect our operation, turnover and profitability.

CONTROLLING SHAREHOLDERS AND [REDACTED] INVESTMENTS

Controlling Shareholders

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), our Company will be owned as to approximately [REDACTED]% by Meng A Capital. Meng A Capital is wholly owned by Mr. Meng, who is the Chairman, the chief executive officer and an executive Director of our Company. Accordingly, Mr. Meng and Meng A Capital are regarded as a group of Controlling Shareholders under the Listing Rules. Our Directors consider that our Group will be able to operate independently of our Controlling Shareholders and their close associates upon the [REDACTED]. For further details, please refer to "Relationship with our Controlling Shareholders" of this document.

[REDACTED] Investments

Pursuant to an equity transfer agreement dated 14 January 2021 between Mr. Li and Lingyun HK (the then wholly-owned investment vehicle of Dr. Tang), Lingyun HK acquired 1% equity interest in Shanghai Guanze from Mr. Li at a consideration of RMB460,000. To reflect the investment of Lingyun HK at our Company's level, pursuant to a sale and purchase agreement dated 9 April 2021 between our Company and Tang Operation, which was the wholly-owned investment holding company of Dr. Tang, Tang Operation transferred one share, representing the entire issued share capital of Tang B Capital, to our Company in consideration for the [REDACTED] and issue of one Share in our Company to Tang Operation. Upon completion of the aforesaid transfers and prior to the [REDACTED] Investment made by Billion Vantage, Dr. Tang, through Tang Operation, held 1% of the then issued share capital of our Company and Tang B Capital became a wholly-owned subsidiary of our Company.

Pursuant to a subscription agreement dated 24 April 2021 between our Company and Billion Vantage, Billion Vantage subscribed for 100 Shares, representing 5% of the then issued share capital of our Company, at a consideration of HK$16.5 million. Please refer to the paragraphs headed "History, Reorganisation and Corporate Structure — Reorganisation" and "History, Reorganisation and Corporate Structure — [REDACTED] Investments" in this document for further details.

DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, no dividend had been paid nor declared by our Company.

We currently do not have a dividend policy. There is no expected or predetermined dividend payout ratio after the [REDACTED]. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up on our Shares.

Dividends may be paid only out of our Company's distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

IMPACT OF THE COVID-19 PANDEMIC

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries across the world, including both China and the United States, have imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus. Since late 2021, the delta variant and omicron variant of COVID-19 have recurred in several provinces across China (the "**Recurrence**").

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material issues regarding the provision of our medical imaging film products and medical imaging cloud services or with the procurement or delivery due to COVID-19 and/or the Recurrence. In particular, as of the Latest Practicable Date, the outbreak of COVID-19 has not caused any material delay in the purchase of raw material and the delivery of products to our hospital customers. During the outbreak of COVID-19 and up to the Latest Practicable Date, we were able to maintain sufficient level of inventories to satisfy the needs of our customers. Given the non-physical nature of medical imaging cloud services, it remained unaffected by the outbreak of COVID-19. As of the Latest Practicable Date, we had no suspected or confirmed COVID-19 cases on our premises or among our employees. We have been closely tracking the health and wellness status of our employees and we routinely check their body temperature before they enter our offices or premises.

COVID-19 has no adverse impact on our financial results due to the nature of our business. Our revenue increased from approximately RMB140.8 million for the year ended 31 December 2019 to approximately RMB184.4 million for the year ended 31 December 2020 and further increased to RMB211.1 million for the year ended 31 December 2021, primarily due to an increase in clinical CT diagnosis brought by the outbreak of COVID-19, which created more demand on our thermal films and medical dry laser films.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that the COVID-19 pandemic and the Recurrence have no material or sustained adverse impact on the business operation and financial performance of our Group on the basis that (i) no large-scale lockdown had been imposed in Shandong Province, where our major premise is situated in, since the Recurrence and up to the Latest Practicable Date; (ii) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks; (iii) we have maintained stable operation of our business during the Track Record Period, despite the outbreak of the COVID-19 pandemic and the Recurrence; (iv) our operations have not experienced any material disruption since the outbreak of the COVID-19 pandemic; (v) although we experienced some minor delays in logistics and supply of some direct materials since the outbreak of the COVID-19 pandemic, our inventory levels were sufficient to support our operations; (vi) to the best of our Directors' knowledge, most of our hospitals customers have resumed full services.

Our Directors will continue to assess the impact of the COVID-19 on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with this epidemic. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and when necessary.

Contingency Plans and Precautionary Measures

Our Group has also implemented stringent measures to prevent COVID-19 infections in our warehouse and offices, including the following:

— measuring and recording the temperature of our employees at workplace daily;

— providing anti-epidemic materials such as sanitary masks and protective clothing to our employees;

— daily sterilisation of our offices and warehouse; and

— requiring our employees who have travelled to other provinces to quarantine for 14 days.

It is uncertain that how COVID-19 will develop. We plan to continue implementing our precautionary measures and may implement additional measures as necessary to ease the impact of the COVID-19 outbreak on our operations. However, we cannot guarantee you that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. For details, please refer to the paragraph headed "Risk Factors — Risks Relating to Our Business and Operations — Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations" in this document.

SHIFT FROM TRADITIONAL MEDICAL IMAGING FILMS TO MEDICAL IMAGING CLOUD FILMS

The healthcare systems in developed countries started the shift from traditional medical imaging films to digital films for over two decades, and digitisation in medical imaging has since gradually become a global trend. Presently, medical imaging results along with other patient information are usually stored in medical institutions database and could be accessed online by physicians and patients through patient portal, where the patients can still request hard copies of their medical imaging examination results for purposes such as transferring between medical institutions. The shift to digital films mainly is to facilitate digital storage, access, and transmission of medical imaging data for purposes such as remote consultation and diagnosis. As a result, traditional medical imaging films is subject to a decrease in demand due to digitisation in these developed countries.

According to "Opinions of the General Office of the State Council on Promoting the Development of "Internet+Medical Health" (國務院辦公廳關於促進「互聯網+醫療健康」發展的意見) promulgated by the General Office of the State Council in 2018 and "Notice on Accelerating the Mutual Recognition of the Examination Results" (國家衛生健康委辦公廳關於加快推進檢查檢驗結果互認工作的通知) (the "**Notice**") published by the National Health Commission in 2021, the PRC government called for the construction of the national and regional health platform, through the establishment of medical institutions examination database including "medical imaging cloud films" serving as the source of database, in order to promote the sharing of examination data, to achieve the interconnection and mutual recognition of examination data between medical institutions in the same region. Such an encouragement of the use of medical imaging cloud films by the PRC government may overcome the hurdles faced by the hospitals and healthcare institutions in China arising from the shift of traditional medical imaging films to medical imaging cloud films and hence demonstrate an inevitable trend for hospital and medical institutions to shift from traditional medical imaging films to medical imaging cloud films at both state and provincial levels, including Shandong Province.

In the event of the full implementation of the replacement of traditional medical imaging films with medical imaging cloud films, the market demand for our traditional medical imaging film products may be significantly reduced and our business performance and financial position may be adversely affected. As at the Latest Practicable Date, according to CIC, there is no nationwide health platform enabling medical imaging data sharing among all hospitals in China, or province-wide health platform enabling medical imaging data sharing among all hospitals in Shandong Province.

For details, please refer to the paragraph headed "Risk Factors — Rapid changes in the medical imaging industry may render the products we distribute obsolete. If we fail to effectively respond or adapt to market changes for our products, our business, financial position and prospects could be materially and adversely affected" in this document.

Nonetheless, despite of the encouragement of the use of medical imaging cloud films by the PRC government, owing to the following factors, our Directors believe that there is still a demand for traditional medical imaging film products in China and hence our business performance and financial position will not be adversely affected in material aspect.

(i) According to CIC, the demand for traditional medical imaging films in China will not be phased out completely due to, amongst others, the following major resasons:

(1) Comparing to developed countries, China has significantly higher patient population, which generates larger amount of medical imaging data that would cost more for digital storage. For comparison, as of 2020, China had over 1.4 billion citizens and the per capita health expenditure in China is approximately USD740, whereas the respective population and per capita healthcare expenditure were approximately 331.5 million citizens and approximately USD12,530 in the U.S., 67.1 million citizens and approximately USD4,930 in the U.K., and 25.7 million citizens and approximately USD5,951 in Australia. It would be difficult to achieve the level of digitization for medical imaging data comparable to developed countries in China given (i) the massive and continuously growing amount of medical imaging data that would require cloud storage for at least 15 years, according to the "Detailed Rules for the Implementation of the Regulations on the Administration of Medical Institutions" in China, and (ii) the significantly lower per capita healthcare expenditure to support such transformation.

(2) Many Grade I hospitals and unranked hospitals in China require an up-to-date healthcare infrastructure, in order to support the shift to medical imaging cloud films, as compared to the hospitals in developed countries such as the U.S., U.K. and Australia, which have already possessed those healthcare infrastructure to support the use of medical imaging cloud films. As the upgrade of the existing healthcare infrastructure is capital-intensive and time-consuming, it may be difficult for the lower grade hospitals and community health centres in China to keep up with such a trend for at least a decade. As of the Latest Practicable Date, there are more than 22,000 Grade I and unranked hospitals in China, accounting for approximately 61.4% of the total number of hospitals in China.

Moreover, the implementation of hierarchical medical system in China results in frequent patient transfers between low-tier hospitals and high-tier hospitals. Currently, only some of the hospitals in China with diagnostic imaging centres have employed medical imaging cloud systems, resulting in difficulties in digital imaging data transfers between hospitals with no established medical imaging cloud systems. As a result, traditional medical imaging films remains as the mainstream medical image carrier to provide patients with past medical imaging examination results when patients are being transferred to a high-tier/low-tier hospitals in China.

(3) While the U.S. is the largest developed country in terms of population in the world, the healthcare system in the U.S. and in China have vastly different structures. According to the annual survey conducted by the American Hospital Association on the number and types of hospitals in the U.S. in 2020, only approximately 19.0% of all hospitals in

the U.S. are federal or state and local government hospitals. Since the non-government hospitals are owned and operated by private investors, it will be more competitive than those federal or state and local government hospitals in order to be financially self-sustaining and stand out from its competitors. In turn, it will stimulate the growth and development of the healthcare industry in the U.S., including driving the development of medical imaging cloud systems and the shift from traditional medical imaging films to digital films. On the other hand, public hospital is the mainstream in China, which accounted for approximately 84.3% of the total patients' visits of all hospitals in China in 2021. Since they are non-profit making in nature, they may be less inclined to change, including being open to the shift from traditional medical imaging films to medical imaging cloud films.

(4) In China, traditional medical imaging films are either covered under health insurance in some provinces or paid by patients out-of-pocket. However, there is no clear guidance as to whether the provincial health authorities, hospitals, or the national insurance will pay for the initial installation of cloud imaging film systems, and whether patients or insurance will pay for medical imaging cloud film services on a per examination basis. The lack of defined payers leads to reluctance in the promotion of using medical imaging cloud films in hospitals.

(5) Traditional medical imaging films has been used in the medical system of China for decades and is widely recognised by physicians and clinicians. Most physicians and clinicians have a long-standing habit of reading medical imaging in its physical form when making diagnosis.

(6) As compared to medical imaging cloud films, traditional medical imaging films are more difficult to modify and serve as crucial as evidence in cases of medical disputes.

According to CIC, the estimate market size of medical imaging film products industry in China and Shandong Province remains large, accounting for approximately RMB5.5 billion and RMB0.35 billion, respectively. The above reasons also serve as the hurdles faced by the hospitals and healthcare institutions in China and Shandong Province in respect of the shift from traditional medical imaging films to medical imaging cloud films.

(ii) According to CIC, as at the Latest Practicable Date, traditional medical imaging films remains to be the mainstream medical imaging carrier for most of the hospitals and healthcare institutions in China.

Due to favourable policies for sharing of medical examination data across medical institutions through medical imaging cloud services, and increasing availability of medical imaging cloud services, the penetration rate of medical imaging cloud films in China increased from less than 0.5% in 2015 to approximately 21% in 2021. The penetration rate of traditional medical imaging films in China decreased from approximately 100% in 2015 to around 84% in 2021.

The penetration rate of medical imaging cloud films in Shandong province increased from less than 0.5% in 2015 to between 25% to 30% in 2021. The penetration rate of traditional medical imaging films in Shandong province is approximately 100% in 2015, and decreased to around 90% in 2021.

The sum of the penetration rate of traditional medical imaging films and the medical imaging cloud films is over 100%, implying some of the hospitals use both traditional medical imaging films and medical imaging cloud films in parallel.

We have adopted and planned to adopt the following measures to address such a shift including (i) our commencement of medical imaging cloud services business since 2017 and (ii) enhancing the delivery of our medical imaging cloud services. For details, please refer to "Business — A Shift from Traditional Medical Imaging Films to Medical Imaging Cloud Films" in this document.

As advised by our PRC Legal Advisers, except for the above Notice, as at the Latest Practicable Date there is no explicit PRC laws and regulations which (compulsorily) require the hospitals and healthcare institutions to shift from traditional medical imaging films to medical imaging cloud films.

RECENT DEVELOPMENT AND NO MATERIAL CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on our medical imaging film products and medical imaging cloud services business and there had not been any material change to our business model, revenue structure and cost structure. We continue to explore opportunities for our business through participating in different exhibitions.

Our Directors confirmed that, since 30 June 2022 and up to the date of this document, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this document.

For the ten months ended 31 October 2022, our total sales volume of medical imaging films was approximately 11.1 million pieces which remain stable when compared with the sales volume for ten months ended 31 October 2021. Our proportion of the sales of self-branded medical imaging film products has experienced a growth from approximately 32% for the six months ended 30 June 2022 to approximately 44% for the ten months ended 31 October 2022.

Prospective investors should note that the profit for the year ending 31 December 2022 will decrease due to our [REDACTED] expenses incurred during the same year as detailed in the paragraph headed "[REDACTED] Expenses" in this section.

[REDACTED]

[REDACTED]