

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report on the financial information of Guanze Medical Information Industry (Holding) Co., Ltd., prepared for the purpose of incorporation in this document received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANZE MEDICAL INFORMATION INDUSTRY (HOLDING) CO., LTD. AND SOUTHWEST SECURITIES (HK) CAPITAL LIMITED

Introduction

We report on the historical financial information of Guanze Medical Information Industry (Holding) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-59, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 (the "Track Record Periods"), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the statements of financial position of the Company as at 31 December 2020, 2021 and 30 June 2022, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-59 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 15 December 2022 (the "Document") in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of the Company as at 31 December 2020, 2021 and 30 June 2022, and of the financial performance and cash flows of the Group for each of the Track Record Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong

15 December 2022

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I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended June 30	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
REVENUE	5	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
Other income and gains	5	146	745	1,306	1,283	1,640
Selling and distribution expenses		(11,924)	(16,957)	(24,943)	(11,624)	(12,253)
Administrative expenses		(3,528)	(3,878)	(17,849)	(9,246)	(6,552)
Research and development costs		(1,359)	(1,185)	(396)	(206)	(185)
Impairment losses on trade receivables		(104)	(122)	73	(139)	(124)
Finance costs	7	(51)	(789)	(597)	(313)	(658)
Other expenses		—	(386)	(236)	(110)	—
PROFIT BEFORE TAX	6	29,595	39,003	33,057	16,033	21,494
Income tax expense	10	(7,271)	(9,960)	(9,989)	(4,866)	(6,092)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>22,324</u>	<u>29,043</u>	<u>23,068</u>	<u>11,167</u>	<u>15,402</u>
Attributable to:						
Owners of the parent		22,324	29,043	22,935	11,095	15,316
Non-controlling interests		—	—	133	72	86
		<u>22,324</u>	<u>29,043</u>	<u>23,068</u>	<u>11,167</u>	<u>15,402</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12					
Basic and diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December			As at
		2019	2020	2021	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
				<i>RMB'000</i>	
NON-CURRENT ASSETS					
Property, plant and equipment	13	11,149	20,281	24,817	27,289
Prepayment for property, plant and equipment		—	830	—	—
Right-of-use assets	14	2,085	4,982	4,672	4,517
Intangible assets	15	2,590	1,793	1,005	587
Deferred tax assets	23	57	132	69	100
Total non-current assets		<u>15,881</u>	<u>28,018</u>	<u>30,563</u>	<u>32,493</u>
CURRENT ASSETS					
Inventories	16	34,231	21,632	12,571	3,428
Trade and bills receivables	17	69,870	96,630	137,249	166,861
Prepayments, other receivables and other assets	18	9,408	2,084	3,433	6,340
Due from the shareholder	28	—	—	—	8,000
Cash and cash equivalents	19	6,494	5,521	20,235	14,925
Total current assets		<u>120,003</u>	<u>125,867</u>	<u>173,488</u>	<u>199,554</u>
CURRENT LIABILITIES					
Trade payables	20	160	2,777	14,811	12,028
Contract liabilities	5	4,559	3,633	1,263	4,053
Other payables and accruals	21	2,307	2,615	2,641	4,154
Interest-bearing bank borrowings	22	1,000	4,721	15,000	29,052
Due to the controlling shareholder	28	1,509	30,642	4,582	—
Due to related parties	28	46,270	—	—	—
Lease liabilities	14	32	69	66	55
Tax payables		5,750	7,176	2,974	4,613
Total current liabilities		<u>61,587</u>	<u>51,633</u>	<u>41,337</u>	<u>53,955</u>
NET CURRENT ASSETS		<u>58,416</u>	<u>74,234</u>	<u>132,151</u>	<u>145,599</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>74,297</u>	<u>102,252</u>	<u>162,714</u>	<u>178,092</u>

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	<i>Notes</i>	As at 31 December			As at
		2019	2020	2021	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>
				<i>RMB'000</i>	
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	22	—	3,592	—	—
Lease liabilities	14	—	220	154	130
Total non-current liabilities		—	3,812	154	130
NET ASSETS		74,297	98,440	162,560	177,962
EQUITY					
Equity attributable to owners of the parent					
Share capital	24	—	—	—	—
Reserves	26	74,297	98,440	162,397	177,713
		74,297	98,440	162,397	177,713
Non-controlling interests		—	—	163	249
Total equity		74,297	98,440	162,560	177,962

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Attributable to owners of the parent					Non-controlling interests	Total equity
		Share capital	Capital reserve	Statutory	Retained earnings	Total		
				surplus reserve				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
			Note 25(a)	Note 25(b)				
At 1 January 2019		—	12,100	1,607	33,466	47,173	—	47,173
Profit and total comprehensive income for the year		—	—	—	22,324	22,324	—	22,324
Transfer to statutory surplus reserve		—	—	2,224	(2,224)	—	—	—
Capital contribution by the then shareholder of a subsidiary	(a)	—	4,900	—	—	4,900	—	4,900
Capital reduction of a subsidiary	(a)	—	(100)	—	—	(100)	—	(100)
At 31 December 2019		—	16,900	3,831	53,566	74,297	—	74,297
At 1 January 2020		—	16,900	3,831	53,566	74,297	—	74,297
Profit and total comprehensive income for the year		—	—	—	29,043	29,043	—	29,043
Transfer to statutory surplus reserve		—	—	2,743	(2,743)	—	—	—
Capital contribution by the then shareholder of a subsidiary	(b)	—	33,220	—	—	33,220	—	33,220
Capital reduction of a subsidiary	(b)	—	(38,120)	—	—	(38,120)	—	(38,120)
At 31 December 2020		—	12,000	6,574	79,866	98,440	—	98,440
At 1 January 2021		—	12,000	6,574	79,866	98,440	—	98,440
Profit and total comprehensive income for the year		—	—	—	22,935	22,935	133	23,068
Transfer to statutory surplus reserve		—	—	1,183	(1,183)	—	—	—
Distribution to a shareholder	(c)	—	—	—	(460)	(460)	—	(460)
Capital contribution by the then shareholder of a subsidiary	(d)	—	24,970	—	—	24,970	30	25,000
Investment from a new shareholder	(e)	—	14,392	—	—	14,392	—	14,392
Share-based payment	(f)	—	2,120	—	—	2,120	—	2,120
At 31 December 2021		—	53,482	7,757	101,158	162,397	163	162,560

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Notes	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
		Note 25(a)	Note 25(b)					
At 1 January 2022	—	53,482	7,757	101,158	162,397	163	162,560	
Profit and total comprehensive income for the period	—	—	—	15,316	15,316	86	15,402	
Transfer to statutory surplus reserve	—	—	943	(943)	—	—	—	
At 30 June 2022	—	53,482	8,700	115,531	177,713	249	177,962	
At 1 January 2021	—	12,000	6,574	79,866	98,440	—	98,440	
Profit and total comprehensive income for the period (Unaudited)	—	—	—	11,095	11,095	72	11,167	
Transfer to statutory surplus reserve (Unaudited)	—	—	470	(470)	—	—	—	
Distribution to a shareholder (Unaudited) (c)	—	—	—	(460)	(460)	—	(460)	
Capital contributions by the then shareholders of a subsidiary (Unaudited) (d)	—	—	—	—	—	30	30	
Investment from a new shareholder (Unaudited) (e)	—	14,392	—	—	14,392	—	14,392	
Share-based payment (Unaudited) (f)	—	2,120	—	—	2,120	—	2,120	
At 30 June 2021 (Unaudited)	—	28,512	7,044	90,031	125,587	102	125,689	

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- (a) Capital contribution of RMB4.9 million to Guanze International Trading (Shanghai) Co., Ltd. ("Shanghai Guanze") by the then shareholder, Meng Xianzhen. Capital reduction of RMB0.1 million to Jinan Guanze by the then shareholder, Meng Xianzhen.
- (b) Capital contributions of RMB33.1 million and RMB0.1 million to Shanghai Guanze by the then shareholders Meng Xianzhen and Li Mengfang, respectively. Capital reductions of RMB36.9 million and RMB1.20 million to Shanghai Guanze by the then shareholders, Meng Xianzhen and Li Mengfang, respectively.
- (c) The Group, through a subsidiary acquired the 1% interest in Shanghai Guanze at a consideration of RMB0.46 million. The amount of RMB0.46 million is a deemed distribution to a shareholder pursuant to the Reorganisation.
- (d) A capital contribution of RMB25 million was made to Guanze Zhihui Medical Technology (Shandong) Co., Ltd. ("Shandong Guanze") by the then shareholder, Meng Xianzhen. RMB0.03 million of such capital injection was credited to the registered capital of Shandong Guanze and paid on 12 April 2021, the remaining RMB24.97 million was credited to the capital reserve of Shandong Guanze. The amount was paid up in cash on 16 September 2021.
- (e) Billion Vantage Asia Limited subscribed for 100 shares, representing 5% of the then share capital of the Company at a consideration of HK\$16.5 million. Capital contributions of RMB0.58 million were made to Lingyun HK by the then shareholder, Tang B Capital Limited (the then wholly-owned investment vehicle of one of the shareholders).
- (f) On 14 January 2021, Lingyun HK (the then wholly-owned investment vehicle of one of the shareholders) acquired a 1% equity interest in Shanghai Guanze from Li Mengfang at a consideration of RMB0.46 million. The consideration is lower than the fair value and a share-based payment expense amounting to RMB2.12 million was recognised in 2021.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
		<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		29,595	39,003	33,057	16,033	21,494
Adjustments for:						
Finance costs	7	51	789	597	313	658
Interest income	5	(86)	(28)	(41)	(21)	(25)
Loss on disposal of items of property, plant and equipment		—	150	—	—	—
Impairment of trade receivables	6	104	122	(73)	139	124
Depreciation of items of property, plant and equipment	6	1,119	2,208	3,275	1,519	1,990
Depreciation of right-of-use assets	6	133	255	310	155	155
Amortisation of intangible assets	6	816	824	833	414	418
Provision for inventories		—	178	—	—	—
Share-based payment		—	—	2,120	2,120	—
		<u>31,732</u>	<u>43,501</u>	<u>40,078</u>	<u>20,672</u>	<u>24,814</u>
(Increase)/decrease in inventories		(13,033)	12,421	9,061	10,412	9,143
Decrease/(increase) in trade and bills receivables		4,259	(26,882)	(40,546)	(26,376)	(29,736)
(Increase)/decrease in prepayments, other receivables and other assets		(7,072)	6,494	(519)	(930)	(2,907)
Increase/(decrease) in trade payables		—	2,617	12,034	11,782	(2,783)
(Decrease)/increase in contract liabilities		(550)	(926)	(2,370)	197	2,790
(Decrease)/increase in other payables and accruals		(4,913)	308	26	(770)	1,513
Cash generated from operations		10,423	37,533	17,764	14,987	2,834
Interest received		86	28	41	21	25
Interest paid		(47)	(784)	(584)	(305)	(653)
Income tax paid		(4,951)	(8,609)	(14,128)	(10,124)	(4,484)
Net cash flows generated from/(used in) operating activities		<u>5,511</u>	<u>28,168</u>	<u>3,093</u>	<u>4,579</u>	<u>(2,278)</u>

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	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases and prepayment of items of property, plant and equipment		(7,490)	(11,541)	(7,811)	(4,123)	(4,462)
Purchases of right-of-use assets		—	(2,832)	—	—	—
Purchases of intangible assets		(2,341)	(27)	(45)	(45)	—
Proceeds from disposal of items of property, plant and equipment		—	51	—	—	—
Increase in due from the controlling shareholder	28	—	—	—	—	(8,000)
Net cash flows used in investing activities		(9,831)	(14,349)	(7,856)	(4,168)	(12,462)
CASH FLOWS FROM FINANCING ACTIVITIES						
Loans received from related parties	27	45,270	—	—	—	—
Repayment of loans to related parties	27	(54,090)	(46,270)	—	—	—
Loans from the controlling shareholder	27	4,200	2,217	11,384	11,384	—
Repayment to the controlling shareholder	27	(4,973)	(2,004)	(37,444)	—	(4,582)
Principal portion of lease payments	14	(75)	(68)	(82)	(42)	(40)
New bank loans	27	1,000	16,310	15,010	6,000	17,052
Repayment of bank loans	27	—	(8,997)	(8,323)	(4,023)	(3,000)
Capital contributions by the then shareholders of subsidiaries		4,900	33,220	25,000	30	—
Investment from a new shareholder		—	—	14,392	14,392	—
Distribution to a shareholder		—	—	(460)	(460)	—
Payment of capital reduction		(100)	(9,200)	—	—	—
Net cash flows (used in)/generated from financing activities		(3,868)	(14,792)	19,477	27,281	9,430
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS						
		(8,188)	(973)	14,714	27,692	(5,310)
Cash and cash equivalents at beginning of year/period		14,682	6,494	5,521	5,521	20,235
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	19	6,494	5,521	20,235	33,213	14,925

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	As at 31 December	As at 30 June
	<i>Notes</i>	2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Investments in subsidiaries	<i>1</i>	—	2,749	2,749
Total non-current assets		<u>—</u>	<u>2,749</u>	<u>2,749</u>
CURRENT ASSETS				
Other receivables and other assets	<i>18</i>	—*	2,304	3,316
Cash and cash equivalents	<i>19</i>	<u>—</u>	<u>4,898</u>	<u>1,923</u>
Total current assets		<u>—*</u>	<u>7,202</u>	<u>5,239</u>
CURRENT LIABILITIES				
Due to the controlling shareholder	<i>28</i>	—	71	—
Other payables and accruals	<i>21</i>	<u>—</u>	<u>—</u>	<u>200</u>
Total current liabilities		<u>—</u>	<u>71</u>	<u>200</u>
NET CURRENT ASSETS		<u>—*</u>	<u>7,131</u>	<u>5,039</u>
NET ASSETS		<u>—*</u>	<u>9,880</u>	<u>7,788</u>
EQUITY				
Share capital	<i>24</i>	—*	—*	—*
Reserves	<i>26</i>	<u>—</u>	<u>9,880</u>	<u>7,788</u>
Total equity		<u>—*</u>	<u>9,880</u>	<u>7,788</u>

* Amount less than RMB1,000.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

Guanze Medical Information Industry (Holding) Co., Ltd. (the "Company") is a limited liability company incorporated in the Cayman Islands on 11 December 2020. The registered office address of the Company is Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Track Record Periods, the Company's subsidiaries were involved in the following principal activities in the People's Republic of China (hereafter, the "PRC"):

- Sales of medical imaging film products
- Provision of medical imaging cloud services

The Company and its significant subsidiaries now comprising the Group underwent the Reorganisation which was completed on 9 April 2021 as set out in the section headed "History, Reorganisation and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of the Company's subsidiaries are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guanze Intelligent Medical Information Industry (BVI) Co., Ltd.	British Virgin Islands 22 December 2020	USD1.00	100%	—	Investing holding
Tang B Capital Limited	British Virgin Islands 10 December 2020	USD1.00	100%	—	Investing holding
Guanze Zhihui Medical Technology (Shandong) Co., Ltd. 冠澤智慧醫療科技(山東)有限公司	PRC/Mainland China 25 February 2021	RMB300,000	—	98.9%	Investing holding
Guanze International Trading (Shanghai) Co., Ltd. ("Shanghai Guanze") 冠澤國際貿易(上海)有限公司	PRC/Mainland China 27 November 2015	RMB12,000,000	—	98.91%	Sales of medical imaging film products; Provision of medical imaging cloud services
Jinan Guanze Medical Equipment Co., Ltd ("Jinan Guanze") 濟南冠澤醫療器材有限公司	PRC/Mainland China 30 August 2018	RMB12,000,000	—	98.91%	Sales of medical imaging film products; Provision of medical imaging cloud services

No audited financial statements have been prepared for the subsidiaries since the date of their incorporation as it is not required by the local government to prepare statutory accounts. The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

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The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Track Record Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 11 December 2020. As the Reorganisation only involved insertion of a new holding company at the top of an existing holding company and has not resulted in any change of economic substance, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Periods. Accordingly, no adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9, Comparative Information²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual periods beginning on or after 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Up to now, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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Property, plant and equipment and depreciation

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

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

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

Buildings	5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	12.5% to 33 ¹ / ₃ %
Furniture and fixtures	20%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful lives of 5 to 10 years.

The Group's software mainly includes server software and terminal software for cloud service. The useful economic life for software is based on the anticipated number of years the software will retire due to significant upgrades to the software.

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Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office	3 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

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Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

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Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sales of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 to 365 (up to the customers) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities are mainly other payables, which are due to a shareholder, Meng Xianzhen.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings and payables)

After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sales of medical imaging film products

Revenue from the sales of goods primarily arises from sales of medical imaging film products, which is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the products.

(b) Provision of medical imaging cloud services

The Group provides integrated medical imaging cloud services together with the sales of medical imaging film products to a customer.

Revenue from medical imaging cloud services are recognised over time during the service period.

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Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

If the identifiable consideration received by the Group appears to be less than the fair value of the Group instruments granted or liability incurred, typically this situation indicates that other consideration (i.e., unidentifiable goods or services) has been (or will be) received by the Group.

The Group measures the identifiable goods or services received in accordance with HKFRS2. The Group measures the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received). The Group measures the unidentifiable goods or services received at the grant date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Identification of performance obligation

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in the sales of medical imaging film products and provision of medical imaging cloud services.

The Group provides integrated medical imaging cloud platform information technology services that are sold together with the sales of medical imaging film products to a customer. The medical imaging cloud services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group determined that both medical imaging film products and medical imaging cloud services are each capable of being distinct. The Group also determined that the promises to transfer the medical imaging film products and to provide medical imaging cloud services are distinct within the context of the contract. The medical imaging film products and medical imaging cloud services are not inputting to a combined item in the contract. The Group is not providing a significant integration service because the presence of the medical imaging film products and medical imaging cloud services together in the contract does not result in any additional or combined functionality and neither the medical imaging film products nor the medical imaging cloud services modify or customise the other. In addition, the medical imaging film products and medical imaging cloud services are not highly interdependent or highly interrelated, because the Group would be able to transfer the medical imaging film products even if the customer declined medical imaging cloud services and would be able to provide medical imaging cloud services in relation to products sold by other suppliers. Consequently, the Group has allocated a portion of the transaction price to the medical imaging film products and medical imaging cloud services based on estimated standalone selling prices using expected cost plus a margin approach.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the chairman of the Company who reviews the consolidated results of the Group when making decisions about resource allocation and assessing the performance of the Group. The chairman considers that the Group operates in one business segment and the measurement of segment results is based on the profit before tax as presented in the consolidated statements of profit or loss and other comprehensive income.

As the Group generates all of its revenues in the PRC and its non-current assets are located in the PRC during the Track Record Periods, no geographical segments are presented.

Information about major customers

Revenue from operations of approximately RMB140.8 million, RMB184.4 million and RMB211.1 million for the years ended 31 December 2019, 2020 and 2021, and RMB106.7 million and RMB98.9 million for the six months ended 30 June 2021 and 2022, respectively, was derived from sales of medical imaging film products and the provision of medical imaging cloud services which contributed approximately 92% and 8% to the total revenue for the year ended 31 December 2019, approximately 94% and 6% to the total revenue for the year ended 31 December 2020, approximately 93% and 7% to the total revenue for the year ended 31 December 2021, approximately 94% and 6% to the total revenue for the six months ended 30 June 2021 and 2022, respectively.

Revenue derived from sales to individual customers which contributed over 10% to the total revenue of the Group during the Track Record Periods is as follows:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Shandong Hospital	N/A*	18,736	25,649	12,458	9,774
Jining No.1 Hospital	16,621	21,886	22,011	12,824	12,508
Jining Affiliated Hospital	N/A*	19,324	N/A*	N/A*	N/A*
	<u>16,621</u>	<u>59,946</u>	<u>47,660</u>	<u>25,282</u>	<u>22,282</u>

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% of the Group's revenue for the respective years/periods.

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5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Revenue from contracts with customers by types of goods or services					
Sales of medical imaging film products	128,909	172,795	196,926	100,565	92,770
Provision of medical imaging cloud services	<u>11,916</u>	<u>11,640</u>	<u>14,150</u>	<u>6,163</u>	<u>5,851</u>
	<u>140,825</u>	<u>184,435</u>	<u>211,076</u>	<u>106,728</u>	<u>98,621</u>
Timing of revenue recognition					
Goods transferred at a point in time	128,909	172,795	196,926	100,565	92,770
Services transferred over time	<u>11,916</u>	<u>11,640</u>	<u>14,150</u>	<u>6,163</u>	<u>5,851</u>
Total revenue from contracts with customers	<u>140,825</u>	<u>184,435</u>	<u>211,076</u>	<u>106,728</u>	<u>98,621</u>

(b) **Contract liabilities**

	<u>As at 31 December</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>30 June</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	<u>4,559</u>	<u>3,633</u>	<u>1,263</u>	<u>4,053</u>

Contract liabilities represented the obligations to provide services to a customer for which the Group has received consideration.

(i) **Revenue recognised in relation to contract liabilities**

The following table shows the revenue recognised during the Track Record Periods that was included in the contract liabilities at the beginning of the Track Record Periods.

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	<u>3,733</u>	<u>3,978</u>	<u>3,172</u>	<u>2,131</u>	<u>586</u>

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(c) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sales of medical imaging film products

The performance obligation is satisfied upon acceptance of consumables when the control of goods is transferred, and the transaction is completed. Payment is generally due within 90 to 365 days from acceptance by customers, except for new customers, where payment in advance is normally required.

Provision of medical imaging cloud services

The performance obligation of medical imaging cloud services is satisfied over time during the service period. As the services are provided together with the sales of medical imaging film products to a customer. Payments are made in advance with the payment for medical consumables.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within one year	30,680	84,872	36,786	129,617
Over one year	<u>12,470</u>	<u>11,969</u>	<u>3,634</u>	<u>50,497</u>
	<u>43,150</u>	<u>96,841</u>	<u>40,420</u>	<u>180,114</u>

(d) An analysis of other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Other income					
Interest on bank deposits	86	28	41	21	25
Gains					
Government grants (1)	—	713	1,037	1,037	1,520
Others	<u>60</u>	<u>4</u>	<u>228</u>	<u>225</u>	<u>95</u>
Total	<u>146</u>	<u>745</u>	<u>1,306</u>	<u>1,283</u>	<u>1,640</u>

(1) The government grants mainly represent subsidies received from the local governments for the purpose of rewarding financial contribution. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

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6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of inventories sold	91,985	120,608	132,660	68,860	57,567
Cost of services provided	2,059	1,844	2,105	1,170	952
Employee benefit expenses	3,523	2,408	3,618	1,755	2,298
— Wages, salaries and allowances	2,810	1,993	2,634	1,346	1,837
— Social insurance and housing fund	691	306	765	319	438
— Welfare and other expenses	22	109	219	90	23
Research and development costs	1,359	1,185	396	206	185
[REDACTED] expenses	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation of items of property, plant and equipment	1,119	2,208	3,275	1,519	1,990
Impairment of trade receivables	104	122	(73)	139	124
Provision for inventories	—	178	—	—	—
Depreciation of right-of-use assets	133	255	310	155	155
Amortisation of intangible assets	816	824	833	414	418

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Interest on bank loans		9	726	464	225	357
Interest on discount of bills receivable		38	58	120	80	296
Interest on lease liabilities	14(c)	4	5	13	8	5
		<u>51</u>	<u>789</u>	<u>597</u>	<u>313</u>	<u>658</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during 2019, since the Company was incorporated on 11 December 2020.

Mr. Meng Xianzhen was appointed as an executive director on 11 December 2020 and also served as the chairman of the board, chief executive and the General Manager of the Company. Mr. Guo Zhenyu was appointed as an executive director of the Company on 17 September 2021. Ms. Meng Cathy was appointed as a non-executive director of the Company on 17 September 2021. Dr. Zhao Bin, Dr. Chang Shiwang and Dr. Wong Man Hin Raymond were appointed as independent non-executive directors of the Company on 7 December 2022.

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Certain of the directors, as employees of a subsidiary now comprising the Group, received remuneration from that subsidiary. The remuneration of each of these directors as recorded in the financial information of the subsidiary is set out below:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	—	—	—	—	—
Other emoluments:					
— Salaries, allowances and benefits in kind	198	198	234	117	117
— Performance related bonuses	74	—	—	—	—
	<u>272</u>	<u>198</u>	<u>234</u>	<u>117</u>	<u>117</u>

Year ended 31 December 2019

	<u>Salaries, allowances and benefits in kind</u>	<u>Performance related bonuses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:			
Mr. Meng Xianzhen	120	—	120
Mr. Guo Zhenyu	78	74	152
	<u>198</u>	<u>74</u>	<u>272</u>

Year ended 31 December 2020

	<u>Salaries, allowances and benefits in kind</u>	<u>Performance related bonuses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:			
Mr. Meng Xianzhen	120	—	120
Mr. Guo Zhenyu	78	—	78
	<u>198</u>	<u>—</u>	<u>198</u>

Year ended 31 December 2021

	<u>Salaries, allowances and benefits in kind</u>	<u>Performance related bonuses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:			
Mr. Meng Xianzhen	120	—	120
Mr. Guo Zhenyu	114	—	114
	<u>234</u>	<u>—</u>	<u>234</u>

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Six months ended 30 June 2021

	Salaries, allowances and benefits in kind	Performance related bonuses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Executive directors:			
Mr. Meng Xianzhen	60	—	60
Mr. Guo Zhenyu	<u>57</u>	<u>—</u>	<u>57</u>
	<u>117</u>	<u>—</u>	<u>117</u>

Six months ended 30 June 2022

	Salaries, allowances and benefits in kind	Performance related bonuses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:			
Mr. Meng Xianzhen	60	—	60
Mr. Guo Zhenyu	<u>57</u>	<u>—</u>	<u>57</u>
	<u>117</u>	<u>—</u>	<u>117</u>

The above remuneration information of each of these directors was recorded in the financial statements of the subsidiary.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 included one, one, two, two and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining four, four, four, four and three highest paid employees who are not directors of the Company during the Track Record Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)				
Salaries, allowances and benefits in kind	312	325	388	166	252
Performance related bonuses	<u>286</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>598</u>	<u>325</u>	<u>388</u>	<u>166</u>	<u>252</u>

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The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expense of the Group for the Track Record Periods is analysed as follows:

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current — Mainland China		7,297	10,035	9,926	4,856	6,123
Deferred tax	23	<u>(26)</u>	<u>(75)</u>	<u>63</u>	<u>10</u>	<u>(31)</u>
Total tax charge for the year/ period		<u>7,271</u>	<u>9,960</u>	<u>9,989</u>	<u>4,866</u>	<u>6,092</u>

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate in Mainland China to the income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>29,595</u>	<u>39,003</u>	<u>33,057</u>	<u>16,033</u>	<u>21,494</u>
Tax at the statutory tax rate of 25% in Mainland China*	7,399	9,750	8,264	4,009	5,374
Effect of different tax rates of subsidiaries	(223)	—	—	—	—
Expenses not deductible for tax	125	245	1,799	896	748
Extra deduction of research and development expenses	<u>(30)</u>	<u>(35)</u>	<u>(74)</u>	<u>(39)</u>	<u>(30)</u>
Tax charge at the Group's effective rate	<u>7,271</u>	<u>9,960</u>	<u>9,989</u>	<u>4,866</u>	<u>6,092</u>

* The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of the Mainland China subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Track Record Periods since the Company was incorporated on 11 December 2020.

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12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2019						
As at 1 January 2019:						
Cost	—	2,283	187	1,179	227	3,876
Accumulated depreciation	—	(1,098)	—	(147)	(11)	(1,256)
Net carrying amount	<u>—</u>	<u>1,185</u>	<u>187</u>	<u>1,032</u>	<u>216</u>	<u>2,620</u>
At 1 January 2019, net of accumulated depreciation						
depreciation	—	1,185	187	1,032	216	2,620
Additions	3,191	6,447	10	—	—	9,648
Depreciation provided during the year	(88)	(691)	—	(295)	(45)	(1,119)
As at 31 December 2019, net of accumulated depreciation	<u>3,103</u>	<u>6,941</u>	<u>197</u>	<u>737</u>	<u>171</u>	<u>11,149</u>
At 31 December 2019:						
Cost	3,191	8,730	197	1,179	227	13,524
Accumulated depreciation	(88)	(1,789)	—	(442)	(56)	(2,375)
Net carrying amount	<u>3,103</u>	<u>6,941</u>	<u>197</u>	<u>737</u>	<u>171</u>	<u>11,149</u>
	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2020						
As at 1 January 2020:						
Cost	3,191	8,730	197	1,179	227	13,524
Accumulated depreciation	(88)	(1,789)	—	(442)	(56)	(2,375)
Net carrying amount	<u>3,103</u>	<u>6,941</u>	<u>197</u>	<u>737</u>	<u>171</u>	<u>11,149</u>
At 1 January 2020, net of accumulated depreciation						
depreciation	3,103	6,941	197	737	171	11,149
Additions	3,600	7,281	—	660	—	11,541
Disposals	—	—	—	(201)	—	(201)
Depreciation provided during the year	(297)	(1,508)	(2)	(356)	(45)	(2,208)
As at 31 December 2020, net of accumulated depreciation	<u>6,406</u>	<u>12,714</u>	<u>195</u>	<u>840</u>	<u>126</u>	<u>20,281</u>
At 31 December 2020:						
Cost	6,791	16,011	197	1,638	227	24,864
Accumulated depreciation	(385)	(3,297)	(2)	(798)	(101)	(4,583)
Net carrying amount	<u>6,406</u>	<u>12,714</u>	<u>195</u>	<u>840</u>	<u>126</u>	<u>20,281</u>

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	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021						
As at 1 January 2021:						
Cost	6,791	16,011	197	1,638	227	24,864
Accumulated depreciation	(385)	(3,297)	(2)	(798)	(101)	(4,583)
Net carrying amount	<u>6,406</u>	<u>12,714</u>	<u>195</u>	<u>840</u>	<u>126</u>	<u>20,281</u>
At 1 January 2021, net of accumulated depreciation						
	6,406	12,714	195	840	126	20,281
Additions	—	7,811	—	—	—	7,811
Disposals	—	—	—	—	—	—
Depreciation provided during the year	(437)	(2,404)	(2)	(409)	(23)	(3,275)
As at 31 December 2021, net of accumulated depreciation	<u>5,969</u>	<u>18,121</u>	<u>193</u>	<u>431</u>	<u>103</u>	<u>24,817</u>
At 31 December 2021:						
Cost	6,791	23,822	197	1,638	227	32,675
Accumulated depreciation	(822)	(5,701)	(4)	(1,207)	(124)	(7,858)
Net carrying amount	<u>5,969</u>	<u>18,121</u>	<u>193</u>	<u>431</u>	<u>103</u>	<u>24,817</u>
	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
30 June 2022						
As at 31 December 2021:						
Cost	6,791	23,822	197	1,638	227	32,675
Accumulated depreciation	(822)	(5,701)	(4)	(1,207)	(124)	(7,858)
Net carrying amount	<u>5,969</u>	<u>18,121</u>	<u>193</u>	<u>431</u>	<u>103</u>	<u>24,817</u>
At 31 December 2021, net of accumulated depreciation						
	5,969	18,121	193	431	103	24,817
Additions	—	4,462	—	—	—	4,462
Disposals	—	—	—	—	—	—
Depreciation provided during the year	(207)	(1,554)	(1)	(205)	(23)	(1,990)
As at 30 June 2022, net of accumulated depreciation	<u>5,762</u>	<u>21,029</u>	<u>192</u>	<u>226</u>	<u>80</u>	<u>27,289</u>
At 30 June 2022:						
Cost	6,791	28,284	197	1,638	227	37,137
Accumulated depreciation	(1,029)	(7,255)	(5)	(1,412)	(147)	(9,848)
Net carrying amount	<u>5,762</u>	<u>21,029</u>	<u>192</u>	<u>226</u>	<u>80</u>	<u>27,289</u>

As at 31 December 2020, certain of the Group's buildings with a net carrying amount of approximately RMB6 million (including prepayment of leased land of RMB2.8 million) were pledged to secure general banking facilities granted to the Group (note 22). As at 31 December 2019 and 2021, none of the Group's properties were pledged.

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As at 30 June 2022, certain of the Group's buildings with a net carrying amount of approximately RMB5.6 million (including prepayment of leased land of RMB2.8 million) were pledged to secure general banking facilities granted to the Group (note 22).

14. LEASES

The Group as a lessee

The Group has signed lease contracts for the office used and land use rights in its operations. The lease term of the office is 3 to 5 years. Lump sum payments were made upfront to acquire the land use rights with the lease periods of 50 years from the owners, and no ongoing payments will be made under the terms of the land lease. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Track Record Periods are as follows:

	<u>Prepaid land lease payments</u>	<u>Office premises</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2019	—	115	115
Additions	2,103	—	2,103
Depreciation charge	(59)	(74)	(133)
As at 31 December 2019 and 1 January 2020	<u>2,044</u>	<u>41</u>	<u>2,085</u>
Additions	2,832	320	3,152
Depreciation charge	(181)	(74)	(255)
As at 31 December 2020 and 1 January 2021	<u>4,695</u>	<u>287</u>	<u>4,982</u>
Additions	—	—	—
Depreciation charge	(236)	(74)	(310)
As at 31 December 2021 and 1 January 2022	<u>4,459</u>	<u>213</u>	<u>4,672</u>
Additions	—	—	—
Depreciation charge	(118)	(37)	(155)
As at 30 June 2022	<u>4,341</u>	<u>176</u>	<u>4,517</u>

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(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Track Record Periods are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	103	32	289	220
New leases	—	320	—	—
Accretion of interest recognised during the year/ period	4	5	13	5
Payments	(75)	(68)	(82)	(40)
Carrying amount at 31 December/30 June	<u>32</u>	<u>289</u>	<u>220</u>	<u>185</u>
Analysed into:				
Current portion	32	69	66	55
Non-current portion	—	220	154	130

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	4	5	13	5
Depreciation charge of right-of-use assets	133	255	310	155
Total amount recognised in profit or loss	<u>137</u>	<u>260</u>	<u>323</u>	<u>160</u>

15. INTANGIBLE ASSETS

	Software	Deferred development cost	Total
	RMB'000	RMB'000	RMB'000
31 December 2019			
As at 1 January 2019, net of accumulated amortisation	—	3,228	3,228
Additions	178	—	178
Amortisation provided during the year	(9)	(807)	(816)
As at 31 December 2019, net of accumulated amortisation	<u>169</u>	<u>2,421</u>	<u>2,590</u>
As at 31 December 2019 and 1 January 2020:			
Cost	178	4,035	4,213
Accumulated amortisation	(9)	(1,614)	(1,623)
Net carrying amount	<u>169</u>	<u>2,421</u>	<u>2,590</u>

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	<u>Software</u>	<u>Deferred development cost</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2020			
As at 1 January 2020, net of accumulated amortisation	169	2,421	2,590
Additions	27	—	27
Amortisation provided during the year	<u>(17)</u>	<u>(807)</u>	<u>(824)</u>
As at 31 December 2020, net of accumulated amortisation	<u>179</u>	<u>1,614</u>	<u>1,793</u>
As at 31 December 2020 and 1 January 2021:			
Cost	205	4,035	4,240
Accumulated amortisation	<u>(26)</u>	<u>(2,421)</u>	<u>(2,447)</u>
Net carrying amount	<u>179</u>	<u>1,614</u>	<u>1,793</u>
31 December 2021			
As at 1 January 2021, net of accumulated amortisation	179	1,614	1,793
Additions	45	—	45
Amortisation provided during the year	<u>(26)</u>	<u>(807)</u>	<u>(833)</u>
As at 31 December 2021, net of accumulated amortisation	<u>198</u>	<u>807</u>	<u>1,005</u>
As at 31 December 2021 and 1 January 2022:			
Cost	250	4,035	4,285
Accumulated amortisation	<u>(52)</u>	<u>(3,228)</u>	<u>(3,280)</u>
Net carrying amount	<u>198</u>	<u>807</u>	<u>1,005</u>
30 June 2022			
As at 1 January 2022, net of accumulated amortisation	198	807	1,005
Additions	—	—	—
Amortisation provided during the period	<u>(14)</u>	<u>(404)</u>	<u>(418)</u>
As at 30 June 2022, net of accumulated amortisation	<u>184</u>	<u>403</u>	<u>587</u>
As at 30 June 2022:			
Cost	250	4,035	4,285
Accumulated amortisation	<u>(66)</u>	<u>(3,632)</u>	<u>(3,698)</u>
Net carrying amount	<u>184</u>	<u>403</u>	<u>587</u>

There is no intangible asset that has not yet been available for use during the Track Record Period.

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16. INVENTORIES

	<u>As at 31 December</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>30 June</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	—	1,252	1,539	922
Finished goods	<u>34,231</u>	<u>20,380</u>	<u>11,032</u>	<u>2,506</u>
	<u>34,231</u>	<u>21,632</u>	<u>12,571</u>	<u>3,428</u>

17. TRADE AND BILLS RECEIVABLES

	<u>As at 31 December</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>30 June</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	66,571	84,709	125,638	149,591
Bills receivable	3,526	12,270	11,887	17,670
Impairment losses	<u>(227)</u>	<u>(349)</u>	<u>(276)</u>	<u>(400)</u>
Trade and bills receivables, net	<u>69,870</u>	<u>96,630</u>	<u>137,249</u>	<u>166,861</u>

Trade and bills receivables mainly represented receivables from medical imaging film products and medical imaging cloud services. The Group's trading terms with its customers are mainly on credit stipulated in the relevant contracts. The credit period is generally 90 to 365 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group has certain concentration of credit risk that may arise from the exposure to its five largest customers which accounted for approximately 47.5%, 39.2%, 34.6% and 41.0%, respectively, of the Group's total trade receivables as at 31 December 2019, 2020 and 2021 and 30 June 2022. The Group also has concentration of credit risk to some extent that may arise from the exposure to its largest customer which accounted for approximately 12.1%, 18.6%, 12.1% and 14.2%, respectively, of the Group's total trade receivables as at 31 December 2019, 2020 and 2021 and 30 June 2022. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

At 31 December 2019, 2020 and 2021 and 30 June 2022, the Group has discounted certain bank acceptance notes before maturity, the amounts of notes discounted and not due are RMB1.1 million, RMB5.7 million, RMB2.2 million and RMB6.9 million, respectively. Upon the above discounting, the Group has derecognised the bills receivable in their entirety. These derecognised bank acceptance notes have maturity dates of less than twelve months from the end of each of the Track Record Periods. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes. The Group considered the issuing banks of these notes are of good credit quality and non-settlement of these notes by the issuing banks on maturity is highly unlikely.

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An ageing analysis of the trade receivables at the end of each of the Track Record Periods, based on the invoice date of the trade receivables and net of provisions, is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	64,178	83,464	123,893	146,967
1 to 2 years	2,166	896	1,469	2,224
	<u>66,344</u>	<u>84,360</u>	<u>125,362</u>	<u>149,191</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of year/period	123	227	349	276
Impairment losses (<i>Note 6</i>)	104	122	(73)	124
At the end of year/period	<u>227</u>	<u>349</u>	<u>276</u>	<u>400</u>

An impairment analysis is performed at the end of each of the Track Record Periods using an expected credit loss ("ECL") model to measure expected credit losses ("ECLs"). The ECL rates are based on days past due for groupings of various customer segments with similar loss patterns. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for over two years or when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of future recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Current	Past due			Total
		Within 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.10%	0.15%	4.18%	100.00%	
Gross carrying amount (<i>RMB'000</i>)	21,153	43,110	2,260	48	66,571
Expected credit losses (<i>RMB'000</i>)	21	64	94	48	227

As at 31 December 2020

	Current	Past due			Total
		Within 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.10%	0.15%	4.18%	100.00%	
Gross carrying amount (<i>RMB'000</i>)	35,435	48,135	935	204	84,709
Expected credit losses (<i>RMB'000</i>)	34	72	39	204	349

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As at 31 December 2021

	Current	Past due			Total
		Within 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.08%	0.13%	4.30%	100.00%	
Gross carrying amount (RMB'000)	92,100	31,913	1,535	90	125,638
Expected credit losses (RMB'000)	77	43	66	90	276

As at 30 June 2022

	Current	Past due			Total
		Within 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.06%	0.18%	11.64%	100%	
Gross carrying amount (RMB'000)	127,973	19,101	2,517	—	149,591
Expected credit losses (RMB'000)	72	35	293	—	400

The directors of the Company have carefully assessed the lifetime expected credit loss of trade receivables throughout the Track Record Periods. As at 31 December 2019, 2020 and 2021, there was no significant change for expected loss rate for trade receivables having considered that (i) the major customers and historical credit loss experience remained stable and (ii) there is no material change to the risk pattern and forward-looking factors.

There was an increase in the expected credit loss rate as at 30 June 2022 to reflect the adverse impact of the delay of payments of a portion of our public hospital customers due to the macroeconomic environment.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	Note	As at 31 December			As at
		2019	2020	2021	30 June
		RMB'000	RMB'000	RMB'000	2022
Deposits	(i)	2,141	480	19	89
Prepayments		4,884	1,604	583	505
Deferred [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deductible value-added tax		2,383	—	232	2,403
		<u>9,408</u>	<u>2,084</u>	<u>3,433</u>	<u>6,340</u>

(i) The deposits are mainly provided to the suppliers, which will be refunded thereafter.

The Company

	Note	As at 31 December		As at 30 June
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Deferred [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Other		—*	—	17
		<u>—*</u>	<u>2,304</u>	<u>3,316</u>

* Amount less than RMB1,000.

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19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	6,494	5,521	20,235	14,925
Denominated in RMB	6,494	5,521	14,661	12,323
Denominated in HKD	—	—	5,472	2,491
Denominated in USD	—	—	102	111
	<u>6,494</u>	<u>5,521</u>	<u>20,235</u>	<u>14,925</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The Company

	As at 31 December		As at 30 June
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	—	4,898	1,923
Denominated in HKD	—	4,898	1,919
Denominated in USD	—	—	4
	<u>—</u>	<u>4,898</u>	<u>1,923</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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20. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Track Record Periods, based on the invoice date, is as follows:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>30 June</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>
Within 1 year	160	2,777	14,811	12,028
	<u>160</u>	<u>2,777</u>	<u>14,811</u>	<u>12,028</u>

Accounts payable do not accrue interest.

21. OTHER PAYABLES AND ACCRUALS

	<i>Note</i>	<u>As at 31 December</u>			<u>As at</u>
		<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>30 June</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2022</i>
Other payables	(i)	1,365	2,112	2,322	3,492
Payroll and welfare payables		942	503	319	662
		<u>2,307</u>	<u>2,615</u>	<u>2,641</u>	<u>4,154</u>

(i) Other payables are non-interest-bearing and repayable on demand.

The Company

	<i>Note</i>	<u>As at 31 December</u>		<u>As at 30 June</u>
		<u>2020</u>	<u>2021</u>	<u>2022</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables		—	—	200
		<u>—</u>	<u>—</u>	<u>200</u>

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22. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2019

	<i>Note</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>RMB'000</i>
Current				
Bank loan — unsecured	<i>(i)</i>	5.00%	2020/8/19	<u>1,000</u>

(i) The Group's unsecured loan bears interest at 5.00% per annum and is repayable on 19 August 2020.

As at 31 December 2020

	<i>Note</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>RMB'000</i>
Current				
Bank loan — unsecured	<i>(ii)</i>	3.85%	2021/9/1	4,290
Bank loan — secured — current portion	<i>(iii)</i>	6.87%	2021/12/31	<u>431</u>
				<u>4,721</u>

Non-current

Bank loan — secured	<i>(iii)</i>	6.87%	2030/4/23	<u>3,592</u>
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(ii) The Group's unsecured loans are unsecured, bearing interest at 3.85% per annum and are repayable on 1 September 2021.

(iii) The Group's long-term bank loan is secured by mortgages over the Group's buildings, which had a net carrying value at 31 December 2020 of approximately RMB6.0 million (including prepaid leased land payment of RMB2.8 million). The long-term bank loan is guaranteed by Shanghai Guanze and Mr. Meng Xianzhen.

As at 31 December 2021

	<i>Note</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>RMB'000</i>
Current				
Bank loan — unsecured	<i>(iv)</i>	3.85%	2022/8/19	5,000
Bank loan — unsecured	<i>(v)</i>	4.60%	2022/3/9	3,000
Bank loan — secured	<i>(vi)</i>	3.85%	2022/9/23	3,000
Bank loan — unsecured	<i>(vii)</i>	3.85%	2022/12/1	<u>4,000</u>
				<u>15,000</u>

(iv) The Group's unsecured loans are unsecured, bearing interest at 3.85% per annum and are repayable on 19 August 2022.

(v) The Group's unsecured loans are unsecured, bearing interest at 4.60% per annum and are repayable on 9 March 2022.

(vi) The Group's secured bank loan is guaranteed by the Shanghai Small, Medium and Micro Enterprise Policy Financing Guarantee Fund Management Centre. The origin maturity date was 25 June 2022. On 24 June 2022, the loan was extended to 23 September 2022.

(vii) The Group's unsecured loans are unsecured, bear interest at 3.85% per annum and are repayable on 1 December 2022.

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As at 30 June 2022

	<i>Notes</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>RMB'000</i>
Current				
Bank loan — unsecured	<i>(iv)</i>	3.85%	2022/8/19	5,000
Bank loan — unsecured	<i>(viii)</i>	4.50%	2022/9/5	3,000
Bank loan — secured	<i>(ix)</i>	3.85%	2022/9/23	3,000
Bank loan — unsecured	<i>(vii)</i>	3.85%	2022/12/1	4,000
Bank loan — secured	<i>(x)</i>	4.20%	2022/8/7	2,168
Bank loan — secured	<i>(x)</i>	4.20%	2022/7/2	1,884
Bank loan — secured	<i>(xi)</i>	3.70%	2023/4/25	4,990
Bank loan — secured	<i>(xi)</i>	3.70%	2023/4/27	2,510
Bank loan — unsecured	<i>(xii)</i>	4.30%	2022/10/25	<u>2,500</u>
				<u>29,052</u>

(viii) The Group's unsecured loans are unsecured, bearing interest at 4.50% per annum and are repayable on 5 September 2022.

(ix) The Group's secured bank loan is guaranteed by the Shanghai Small, Medium and Micro Enterprise Policy Financing Guarantee Fund Management Centre. The origin maturity date was 25 June 2022. On 24 June 2022, the loan was extended to 23 September 2022.

(x) The Group's bank loan is secured by mortgages over the Group's trade receivables, with a net carrying value of approximately RMB4.05 million at 30 June 2022.

(xi) The Group's bank loan is secured by mortgages over the Group's buildings, with a net carrying value of approximately RMB5.6 million at 30 June 2022.

(xii) The Group's unsecured loan is unsecured, bearing interest at 4.30% per annum and are repayable on 25 October 2022.

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23. DEFERRED TAX

The movements in deferred tax assets during the Track Record Periods are as follows:

Deferred tax assets

	<u>Impairment of trade receivables</u>	<u>Provision for inventories</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2019:	31	—	31
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	<u>26</u>	<u>—</u>	<u>26</u>
Deferred tax assets as at 31 December 2019 and 1 January 2020	<u>57</u>	<u>—</u>	<u>57</u>
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	<u>30</u>	<u>45</u>	<u>75</u>
Deferred tax assets as at 31 December 2020 and 1 January 2021	<u>87</u>	<u>45</u>	<u>132</u>
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	<u>(18)</u>	<u>(45)</u>	<u>(63)</u>
Deferred tax assets as at 31 December 2021 and 1 January 2022	<u>69</u>	<u>—</u>	<u>69</u>
Deferred tax credited to profit or loss during the period (<i>note 10</i>)	<u>31</u>	<u>—</u>	<u>31</u>
Deferred tax assets as at 30 June 2022	<u>100</u>	<u>—</u>	<u>100</u>

Deferred tax liability

As at 31 December 2019, 2020 and 2021 and 30 June 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The total amounts of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB53.57 million, RMB79.87 million, RMB108.37 million and RMB125.07 million as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

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24. SHARE CAPITAL

Shares

The Company

	<i>Note</i>	As at 31 December		As at 30 June
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:				
Ordinary shares		*	*	*

A summary of movements in the Company's share capital is as follows:

	Number of shares	Nominal value of shares
		<i>RMB'000</i>
As at 1 January 2020	—	—
Issue of ordinary shares (<i>Note (a)</i>)	1	*
As at 31 December 2020 and 1 January 2021	1	*
Issue of ordinary shares (<i>Note (b)</i>)	1,999	*
As at 31 December 2021 and 1 January 2022	2,000	*
As at 30 June 2022	2,000	*

* Amount less than RMB1,000.

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2020 with initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, and one ordinary share was allotted and issued to Meng A Capital. The Company is an investment holding company.
- (b) On 9 April 2021, Tang Operation transferred one share of Tang B Capital, representing the entire issued share capital of Tang B Capital, to the Company on 9 April 2021 in consideration for the allotment and issue of one Share in the Company, credited as fully paid, to Tang Operation. On the same day, the Company further allotted and issued 98 Shares at par to Meng A Capital. On 26 April 2021, Billion Vantage subscribed for 100 Shares, representing 5% of the then issued share capital of the Company as enlarged by the allotment and issue of Shares to Meng A Capital and Tang Operation, at a consideration of HK\$16.5 million, which was determined after arm's length negotiations between the parties. On the same day, the Company further allotted and issued 1,782 Shares and 18 Shares at par to Meng A Capital and Tang Operation, respectively.

There were 2,000 shares issued as at 30 June 2022.

25. SHARE-BASED PAYMENTS

Pursuant to an equity transfer agreement dated 14 January 2021 between Li Mengfang and Lingyun HK (the then wholly-owned investment vehicle of one of the shareholders), Lingyun HK acquired a 1% equity interest in Shanghai Guanze from Li Mengfang at a consideration of RMB0.46 million. The consideration is lower than the fair value and a share-based payment expense amounting to RMB2.1 million was recognised in 2021. For further details in relation to the [REDACTED] Investment of Tang Operation, please refer to paragraph head "[REDACTED] Investments — (i) [REDACTED] Investment made by Tang Operation" in the section "History, reorganisation and corporate structure" of this document.

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26. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Track Record Periods are presented in the consolidated statements of changes in equity on pages I-8 to I-10 of this report.

(a) Capital reserve

The capital reserve represented the aggregate of the paid-up share capital of the subsidiaries.

(b) Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(c) Share-based payment

The share-based payment is used to recognise the value of the share-based payment provided to Lingyun HK. Refer to note 25 to the Historical Financial Information for further details.

The Company

A summary of movements of the Company's reserves during the Track Record Periods are as follows:

	<u>Capital reserve</u>	<u>Accumulated loss</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 11 December 2020 (date of incorporation) and At 31 December 2020	—	—	—
At 1 January 2021	—	—	—
Loss and total comprehensive loss for the year	—	(6,675)	(6,675)
New issuance of shares in exchange of equity in a subsidiary	2,749	—	2,749
Investment from a new shareholder	13,806	—	13,806
At 31 December 2021	<u>16,555</u>	<u>(6,675)</u>	<u>9,880</u>
At 1 January 2022	16,555	(6,675)	9,880
Loss and total comprehensive loss for the period	—	(2,092)	(2,092)
At 30 June 2022	<u>16,555</u>	<u>(8,767)</u>	<u>7,788</u>

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27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Lease liabilities	Interest- bearing bank borrowings	Due to related parties	Due to the controlling shareholder
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2019	103	—	55,090	2,282
Changes from financing cash flows	(75)	—	—	—
Interest expense	4	—	—	—
New bank loans	—	1,000	—	—
Loans received from related parties	—	—	45,270	—
Repayment of loans from related parties	—	—	(54,090)	—
Due to the controlling shareholder	—	—	—	4,200
Repayment to the controlling shareholder	—	—	—	(4,973)
As at 31 December 2019	<u>32</u>	<u>1,000</u>	<u>46,270</u>	<u>1,509</u>
As at 1 January 2020	32	1,000	46,270	1,509
Changes from financing cash flows	(68)	—	—	—
New lease liabilities	320	—	—	—
Interest expense	5	—	—	—
New bank loans	—	16,310	—	—
Repayment of bank loans	—	(8,997)	—	—
Repayment of loans to related parties	—	—	(46,270)	—
Due to the controlling shareholder	—	—	—	31,137
Repayment to the controlling shareholder	—	—	—	(2,004)
As at 31 December 2020	<u>289</u>	<u>8,313</u>	<u>—</u>	<u>30,642</u>
As at 1 January 2021	289	8,313	—	30,642
Changes from financing cash flows	(82)	—	—	—
Interest expense	13	—	—	—
New bank loans	—	15,010	—	—
Repayment of bank loans	—	(8,323)	—	—
Repayment to the controlling shareholder	—	—	—	(26,060)
As at 31 December 2021	<u>220</u>	<u>15,000</u>	<u>—</u>	<u>4,582</u>
As at 1 January 2022	220	15,000	—	4,582
Changes from financing cash flows	(40)	—	—	—
Interest expense	5	—	—	—
New bank loans	—	17,052	—	—
Repayment of bank loans	—	(3,000)	—	—
Due from the controlling shareholder	—	—	—	—
Repayment to the controlling shareholder	—	—	—	(4,582)
As at 30 June 2022	<u>185</u>	<u>29,052</u>	<u>—</u>	<u>—</u>

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28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

<u>Name of related party</u>	<u>Notes</u>	<u>Relationship with the Company</u>
Jinan Green Yuanda Medical Equipment Co. Ltd.	(i)	Entity controlled by the controlling shareholder
Guanze Medical Equipment (Shanghai) Co. Ltd.	(ii)	Entity controlled by the controlling shareholder
Hui Yue Business Trading (Shanghai) Co. Ltd.	(iii)	Related party
Mr. Meng Xianzhen		Controlling shareholder

(i) Jinan Green Yuanda Medical Equipment Co. Ltd. was deregistered on 9 February 2017.

(ii) Guanze Medical Equipment (Shanghai) Co. Ltd. was deregistered on 12 August 2020.

(iii) Hui Yue Business Trading (Shanghai) Co. Ltd. was deregistered on 29 June 2020.

(a) The Group had the following transactions with related parties during the Track Record Periods:

<i>Note</i>	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guanze Medical Equipment (Shanghai) Co. Ltd.					
Purchase of goods	(i) —	3,850	—	—	—
Hui Yue Business Trading (Shanghai) Co. Ltd.					
Purchase of goods	(i) —	578	—	—	—

(Unaudited)

(i) The purchases of goods from the related parties were made according to the prices and terms agreed between the parties.

(b) Other transactions with related parties

(ii) Mr. Meng Xianzhen provided a guarantee for certain bank loans made to the Group of up to RMB11.31 million in 2020. In May 2021, the guarantees had been released after the repayment of the secured loans.

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(c) Outstanding balances with related parties:

The Group

	Note	As at 31 December			As at
		2019	2020	2021	30 June
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Non trade:					
Due from the controlling shareholder:					
Mr. Meng Xianzhen	(iii)	—	—	—	8,000
Due to the controlling shareholder:					
Mr. Meng Xianzhen	(iv)	1,509	30,642	4,582	—
Non trade:					
Due to related parties:					
Jinan Green Yuanda Medical Equipment Co. Ltd.	(v)	1,000	—	—	—
Hui Yue Business Trading (Shanghai) Co. Ltd.	(vi)	45,270	—	—	—
		46,270	—	—	—

- (iii) The outstanding balance as at 30 June 2022 mainly represented the loans which were unsecured, non-interest-bearing and are repayable on 31 December 2022. The maximum amount outstanding during six months ended 30 June 2022 are RMB8.0 million. Such amount due from the controlling shareholder will be fully settled before [REDACTED].
- (iv) The outstanding balance as at 31 December 2019 mainly represented the loans which were unsecured, non-interest-bearing and repayable on demand and were settled in December 2020. The outstanding balance as at 31 December 2020 and 2021 mainly represented the loans which were unsecured, non-interest-bearing and repayable on demand and were settled in March 2022. Such amount due to the controlling shareholder will be fully settled before the [REDACTED].
- (v) The outstanding balance as at 31 December 2019 mainly represented loan due to Jinan Green Yuanda Medical Equipment Co. Ltd., which was unsecured, non-interest-bearing and repayable on demand, and was settled in December 2020.
- (vi) The outstanding balance as at 31 December 2019 mainly represented the loan due to Hui Yue Business Trading (Shanghai) Co. Ltd, which was unsecured, non-interest-bearing and repayable on demand, and was settled in May 2020.

The Company

	Note	As at 31 December		As at 30 June
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Non-trade:				
Due to the controlling shareholder:				
Mr. Meng Xianzhen	(vii)	—	71	—

- (vii) The outstanding balance as at 31 December 2021 mainly represented the loans which were unsecured, non-interest-bearing and repayable on demand. Such amount due to the controlling shareholder will be fully settled before the [REDACTED].

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29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Periods are as follows:

Financial assets

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at amortised cost:				
Cash and cash equivalents	6,494	5,521	20,235	14,925
Trade receivables	66,344	84,360	125,362	149,191
Due from the controlling shareholder	—	—	—	8,000
Financial assets included in other receivables	2,141	480	19	89
	<u>74,979</u>	<u>90,361</u>	<u>145,616</u>	<u>172,205</u>
Financial assets at fair value through other comprehensive income:				
Bills receivable	3,526	12,270	11,887	17,670
	<u>78,505</u>	<u>102,631</u>	<u>157,503</u>	<u>189,875</u>

Financial liabilities

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	160	2,777	14,811	12,028
Lease liabilities	32	289	220	185
Interest-bearing bank borrowings	1,000	8,313	15,000	29,052
Due to the controlling shareholder	1,509	30,642	4,582	—
Due to related parties	46,270	—	—	—
Financial liabilities included in other payables and accruals	1,365	2,112	2,322	3,492
	<u>50,336</u>	<u>44,133</u>	<u>36,935</u>	<u>44,757</u>

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

As at 31 December 2019

	Carrying amounts	Fair values
	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Debt instruments at fair value through other comprehensive income	<u>3,526</u>	<u>3,526</u>

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As at 31 December 2020

	<u>Carrying amounts</u>	<u>Fair values</u>
	<u>2020</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Debt instruments at fair value through other comprehensive income	12,270	12,270

As at 31 December 2021

	<u>Carrying amounts</u>	<u>Fair values</u>
	<u>2021</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Debt instruments at fair value through other comprehensive income	11,887	11,887

As at 30 June 2022

	<u>Carrying amounts</u>	<u>Fair values</u>
	<u>2022</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Debt instruments at fair value through other comprehensive income	17,670	17,670

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the debt instruments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

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Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Debt instruments designated at fair value through other comprehensive income	—	3,526	—	3,526
	—	3,526	—	3,526

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Debt instruments designated at fair value through other comprehensive income	—	12,270	—	12,270
	—	12,270	—	12,270

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Debt instruments designated at fair value through other comprehensive income	—	11,887	—	11,887
	—	11,887	—	11,887

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As at 30 June 2022

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Debt instruments designated at fair value through other comprehensive income	—	17,670	—	17,670
	—	17,670	—	17,670

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and bills receivables, and other receivables which arise directly from its operations, and cash. The main purpose of these financial instruments is to support the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in interest rates is limited as its interest-bearing bank borrowings bear a fixed interest rate.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2019, 2020 and 2021 and 30 June 2022

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019, 2020 and 2021 and 30 June 2022. The amounts presented are gross carrying amounts for financial assets.

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As at 31 December 2019

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	66,571	66,571
Bills receivable					
— Not yet past due	3,526	—	—	—	3,526
Financial assets included in other receivables					
— Normal**	2,141	—	—	—	2,141
Cash and cash equivalents					
— Not yet past due	6,494	—	—	—	6,494
	<u>12,161</u>	<u>—</u>	<u>—</u>	<u>66,571</u>	<u>78,732</u>

As at 31 December 2020

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	84,709	84,709
Bills receivable					
— Not yet past due	12,270	—	—	—	12,270
Financial assets included in other receivables					
— Normal**	480	—	—	—	480
Cash and cash equivalents					
— Not yet past due	5,521	—	—	—	5,521
	<u>18,271</u>	<u>—</u>	<u>—</u>	<u>84,709</u>	<u>102,980</u>

As at 31 December 2021

	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	125,638	125,638
Bills receivable					
— Not yet past due	11,887	—	—	—	11,887
Financial assets included in other receivables					
— Normal**	19	—	—	—	19
Cash and cash equivalents					
— Not yet past due	20,235	—	—	—	20,235
	<u>32,141</u>	<u>—</u>	<u>—</u>	<u>125,638</u>	<u>157,779</u>

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As at 30 June 2022

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	—	—	—	149,591	149,591
Bills receivable					
— Not yet past due	17,670	—	—	—	17,670
Financial assets included in other receivables					
— Normal**	89	—	—	—	89
Cash and cash equivalents					
— Not yet past due	14,925	—	—	—	14,925
	<u>32,684</u>	<u>—</u>	<u>—</u>	<u>149,591</u>	<u>182,275</u>

* Trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from shareholders and related parties are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is "doubtful."

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2019

	Less than 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
Trade payables	160	—	160
Interest-bearing bank borrowings	1,026	—	1,026
Due to the controlling shareholder	1,509	—	1,509
Due to related parties	45,270	1,000	46,270
Financial liabilities included in other payables and accruals	310	1,055	1,365
Lease liabilities	32	—	32
	<u>48,307</u>	<u>2,055</u>	<u>50,362</u>

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As at 31 December 2020

	Less than 1 year	Over 1 year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	2,777	—	2,777
Interest-bearing bank borrowings	8,514	—	8,514
Due to the controlling shareholder	30,642	—	30,642
Financial liabilities included in other payables and accruals	1,740	372	2,112
Lease liabilities	69	220	289
	<u>43,742</u>	<u>592</u>	<u>44,334</u>

As at 31 December 2021

	Less than 1 year	Over 1 year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	14,811	—	14,811
Interest-bearing bank borrowings	15,366	—	15,366
Due to the controlling shareholder	4,582	—	4,582
Financial liabilities included in other payables and accruals	2,322	—	2,322
Lease liabilities	66	154	220
	<u>37,147</u>	<u>154</u>	<u>37,301</u>

As at 30 June 2022

	Less than 1 year	Over 1 year	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	12,028	—	12,028
Interest-bearing bank borrowings	29,473	—	29,473
Financial liabilities included in other payables and accruals	3,491	—	3,492
Lease liabilities	55	130	185
	<u>45,048</u>	<u>130</u>	<u>45,178</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjusts to it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

APPENDIX I

ACCOUNTANTS' REPORT

The Group monitors capital using a ratio, which is total liabilities divided by total equity. The Group's strategy is to maintain the ratio at a healthy level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses.

The ratios as of the end of each of the Track Record Periods are as follows:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>30 June</u>
				<u>2022</u>
Total liabilities (<i>RMB'000</i>)	(61,587)	(55,445)	(41,491)	(54,085)
Total equity (<i>RMB'000</i>)	(74,297)	(98,440)	(162,560)	(177,962)
Ratio	<u>83%</u>	<u>56%</u>	<u>26%</u>	<u>30%</u>

32. EVENTS AFTER THE TRACK RECORD PERIODS

There is no material subsequent event undertaken by the Group after 30 June 2022.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.